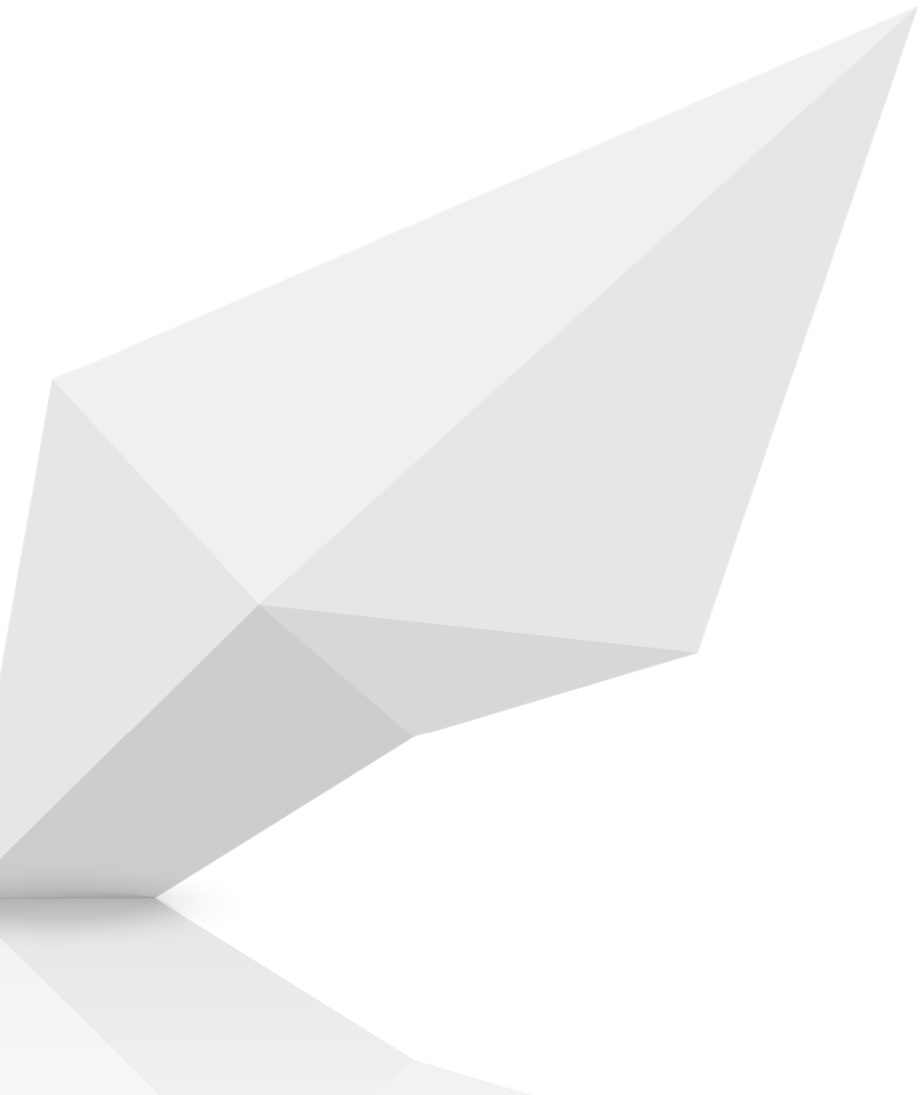
Salem Township Hospital

Financial Statements and Supplementary Information

Years Ended March 31, 2024 and 2023



WIPFLI

Salem Township Hospital

Years Ended March 31, 2024 and 2023

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WIPFLI

Independent Auditor's Report

Board of Directors
Salem Township Hospital
Salem, Illinois

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Salem Township Hospital (the "Hospital"), which comprise the statements of net position as of March 31, 2024 and 2023, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Hospital as of March 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (''GAAP'').

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 the 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.

Supplementary Information

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that a management's discussion and analysis as listed in the table of contents, be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Other Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2024, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

Wipfli LLP
Eau Claire, Wisconsin
October 29, 2024

Salem Township Hospital
Management's Discussion and Analysis
Years Ended March 31, 2024 and 2023

This management's discussion and analysis of the financial performance of Salem Township Hospital provides an overview of the Hospital's financial activities for the year ended March 31, 2024. It should be read in conjunction with the accompanying financial statements of the Hospital.

Financial Highlights

- The Hospital's net position changed by $9,790,487 in 2024, $14,966,935 in 2023, and $15,326,416 in 2022.
- The Hospital reported operating income of $7,098,560 in 2024, $10,688,963 in 2023, and $10,183,081 in 2022.
- Net patient service revenue increased from 2023 to 2024 by $1,372,629 and 2022 to 2023 by $3,172,800. Operating expenses increased by $5,272,073 from 2023 to 2024 and increased by $2,473,659 from 2022 to 2023.

Overview of the Financial Statements

The Hospital's financial statements consist of three statements including the statements of net position, statements of revenue, expenses, and changes in net position, and statements of cash flows. These financial statements and related notes provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes by contributors, grantors, or enabling legislation.

Required Financial Statements

The Hospital's financial statements report information of the Hospital using accounting methods similar to those used by private sector healthcare organizations. These statements offer short-term and long-term information about its activities. The statement of net position includes all of the Hospital's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Hospital's creditors (liabilities). The statement of net position also provides the basis for evaluating the capital structure of the Hospital and assessing the liquidity and financial flexibility of the Hospital.

All of the revenue and expenses of the Hospital are accounted for in the statements of revenue, expenses, and changes in net position. The statements can be used to determine whether the Hospital has successfully recovered all of its costs through its patient service revenue and other revenue sources. Revenue and expenses are reported on an accrual basis, which means the related cash could be received or paid in a subsequent period. Over time, increases or decreases in the Hospital's net position are one indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Hospital's patient base, measures of the quality of service it provides to the community, as well as local economic factors, should also be considered in assessing the overall financial health of the Hospital.

The final required statement is the statements of cash flows. The statements of cash flows report cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities. The statements of cash flows also provide answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Financial Analysis of the Hospital

The Hospital's net position, the difference between assets and liabilities, is a way to measure financial health or financial position. Over time, sustained increases or decreases in the Hospital's net position are one indicator of whether its financial health is improving or deteriorating. However, other nonfinancial factors such as changes in economic condition, population growth, and changes in governmental regulations should also be considered.

Condensed Statements of Net Position
March 31, 2024, 2023, and 2022

	2024	2023	2022	Change 2024-2023	Change 2023-2022	2024-2023 % Change	2023-2022 % Change
Current assets	$ 58,999,769	$ 50,662,330	$ 38,235,498	$ 8,337,439	$12,426,832	16%	33%
Noncurrent assets	32,791,085	25,281,063	26,830,123	7,510,022	(1,549,060)	30%	-6%
Total assets	$ 91,790,854	$ 75,943,393	$ 65,065,621	$ 15,847,461	$10,877,772	21%	17%
Current liabilities	$ 18,504,305	$ 10,984,218	$ 10,487,327	$ 7,520,087	$ 496,891	68%	5%
Noncurrent liabilities	12,997,478	14,411,995	15,406,393	(1,414,517)	(994,398)	-10%	-6%
Total liabilities	31,501,783	25,396,213	25,893,720	6,105,570	(497,507)	24%	-2%
Deferred inflows of resources - Unearned revenue	7,300	55,896	3,647,552	(48,596)	(3,591,656)	100%	0%
Net position:							
Net investment in capital assets net of related debt	16,690,897	7,433,940	7,628,522	9,256,957	(194,582)	125%	-3%
Unrestricted	41,387,973	40,503,434	25,408,018	884,539	15,095,416	2%	59%
Restricted	2,202,901	2,553,910	2,487,809	(351,009)	66,101	-14%	3%
Total net position	60,281,771	50,491,284	35,524,349	9,790,487	14,966,935	19%	42%
Total liabilities, deferred inflows, and net position	$ 91,790,854	$ 75,943,393	$ 65,065,621	$ 15,847,461	$10,877,772	21%	17%

2024: Analysis of Changes in the Statement of Net Position

- Current assets increased significantly in 2024 primarily due to the continued trend of positive income and cash flows from operations. The Hospital experienced significant patient volume growth in both 2024 and 2023 which was a large factor in the increased positive operating income and in return increased both cash and patient accounts receivable which are included in current assets. Current assets are also higher at March 31, 2024 as the Hospital experienced increased interest income received on its depository accounts with financial institutions as cash balances and interest rates increased in 2024.

- Noncurrent assets increased in 2024 primarily as a result of current construction and renovation projects started in 2023 and recorded in construction in progress as part of capital assets. The Hospital also started a replacement electronic medical records system project in 2024 with a goal of transitioning to the Epic system in 2025. Additional information on these projects can be found in Note 8 to the accompanying financial statements.

Financial Analysis of the Hospital (Continued)

- Current liabilities increased in 2024 primarily as a result of an increase in accounts payable for open invoices related to the construction and renovation projects previously discussed as part of the increase in noncurrent assets above, as well as an estimated repayment to Blue Cross and Blue Shield of Illinois related to a potential recoupment of prior rate increases dating back to fiscal year 2023 which was notice was received subsequent to the year ended March 31, 2024 and included within the 2024 financial statements.

2023: Analysis of Changes in the Statement of Net Position

- Current assets increased significantly in 2023 primarily due to the continued trend of positive income and cash flows from operations. The Hospital experienced significant patient volume growth in both 2023 and 2022 which was a large factor in the increased positive operating income and in return increased both cash and patient accounts receivable which are included in current assets. Current assets were also higher at March 31, 2023 as the Hospital had increased cash on hand due to a significant estimated payable on the March 31, 2023 Medicare cost report which was subsequently made in fiscal year 2024.

- Noncurrent assets decreased in 2023 primarily as a result of the decrease in net capital assets due to continued depreciation of capital assets. The Hospital has several upcoming construction and renovation projects which were started in 2024 which will increase capital assets in the future as described above in the 2024 analysis of changes in the statement of net position. Additional information on these projects can be found in Note 8 to the accompanying financial statements.

- Current liabilities increased in 2023 primarily as a result additional accrued salaries and benefits for additional staffing and benefits as a result of the continued increases in patient volumes in the past several years. The Hospital also worked on recruiting several physicians and advanced practice clinicians to add additional capacity and services to the patient care services it offers the community. These additional providers also have attributed to increases in salaries and benefit expense amounts in 2023 and 2022. The final significant component of the increase in current liabilities is the increase in the estimated payable on the 2023 Medicare cost report as previously discussed as a part of the increase in current assets above.

- Deferred inflows of resources primarily relates to unearned revenue in the form of grants and assistance related to COVID-19. Additional amounts of funding was received from the federal and state governments in 2022 to assist with the COVID-19 pandemic. Final reporting on the majority of these funds was completed between years 2023 and 2022, and related revenue related to the final reporting and related activities and expenditures was recognized between 2023 and 2022 which resulted in a decrease in the deferred inflows of resources related to unearned revenue in 2023 and 2022.

Financial Analysis of the Hospital (Continued)

Condensed Statements of Revenue, Expenses, and Changes in Net Position
Years Ended 2024, 2023, and 2022

	2024	2023	2022	Change 2024-2023	Change 2023-2022
Operating revenues	$ 50,225,870	$ 48,544,200	$ 45,564,658	$ 1,681,670	$ 2,979,542
Operating expenses	43,127,310	37,855,237	35,381,577	5,272,073	2,473,660
Income from operations	7,098,560	10,688,963	10,183,081	(3,590,403)	505,882
Nonoperating revenues (expenses) - Net	2,691,927	4,277,972	5,143,509	(1,586,045)	(865,537)
Increase in net position	9,790,487	14,966,935	15,326,590	(5,176,448)	(359,655)
Net position at beginning	50,491,284	35,524,349	20,197,759	14,966,935	15,326,590
Net position at end	$ 60,281,771	$ 50,491,284	$ 35,524,349	$ 9,790,487	$ 14,966,935

Items Affecting Operations in 2024:

The primary component of the overall change in the Hospital's net position is its operating income or loss, generally, the difference between net patient service revenue and the expenses incurred to perform those services. In 2024, the Hospital reported income from operations of $7,098,560 compared to income from operations of $10,688,963 in 2023. Patient volumes continued to increase in 2024 as additional providers and services were added in 2024, although net patient service only increased marginally in 2024 as a result of the recording of approximately $7,200,000 as a potential recoupment that Blue Cross and Blue Shield of Illinois requested related to years 2023 and 2024 which reduced net patient service revenue in 2024. Salaries and wages expense, as well as employee benefits, continued to increase in 2024 with the additional salaries and benefits for providers and support staff added to assist in the patient service growth and service expansions. Purchased services, supplies, and other expenses also increased related to additional patient volume and growth in many areas of the Hospital.

Items Affecting Operations in 2023:

The primary component of the overall change in the Hospital's net position is its operating income or loss, generally, the difference between net patient service revenue and the expenses incurred to perform those services. In 2023, the Hospital reported income from operations of $10,688,964 compared to income from operations of $10,183,081 in 2022. Operating revenue increased from 2022 to 2023; however, it increased by a lessor amount than 2021 as 2022 was a significant increase in patient volumes. Patient volumes continued to increase in 2023, but not to the same degree as 2022 as additional surgical providers and services were added in 2022., while operating expenses increased by a lesser amount than revenue in 2022, resulting in a higher amount of operating income than in 2021. Net patient service revenue continued to increase in many areas of the Hospital in 2022. Salaries and wages expense, as well as employee benefits, continued to increase in 2023 because of the phase-in of the updated minimum wage laws in the State of Illinois and additional salaries and benefits for providers and support staff added to assist in the patient service growth and service expansions. Supplies and other expenses also increased related to additional patient volume and growth in many areas of the Hospital.

Financial Analysis of the Hospital (Continued)

The Hospital's Cash Flows:

The Hospital experienced positive cash flows from operating activities in the amount of $19,097,172 in 2024, positive cash flows from operating activities of $16,877,159 in 2023, and had positive cash flows from operating activities in the amounts of $11,045,156 in 2022. The Hospital had negative cash flows from net financing activities (capital and noncapital related financing activities) of $11,562,880 in 2024, $2,872,494 in 2023, and $1,763,215 in 2022, primarily related to continued repayments of principal and interest on outstanding long-term debt and lease obligations and purchases of capital assets in both years. The Hospital earned $2,555,162, $892,136, and $40,066 in 2024, 2023, and 2022, respectively primarily related to interest on cash and investments deposited in financial institutions. The large increase in interest earnings in 2024 primarily related to both higher cash deposits on hand at financial institutions as well as significant increases in interest rates being paid on depository accounts by these institutions in 2024 and 2023.

The positive cash flows from operating activities over the last several years have primarily been a result of positive operating performance in 2024, 2023, and 2022 due to patient service revenue growth and a continued focus on the collection of patient accounts receivable over the past three years.

Capital Asset and Debt Administration

Capital Assets

At the end of 2024, the Hospital had $30,556,063 invested in capital assets, net of accumulated depreciation, as detailed in the notes to the accompanying financial statements. In the past three years, the Hospital made multiple renovations to its buildings and purchased new equipment in many departments. All capital asset purchases in 2024, 2023, and 2022 were funded solely from operating cash reserves of the Hospital, other than some capital assets which are funded by lease obligations as described in Notes 8 and 10 to the accompanying financial statements.

Debt

At March 31, 2024, the Hospital had $14,425,514 in outstanding long-term debt and capital lease obligations compared to $15,728,607 at March 31, 2023, and $15,188,043 at March 31, 2022. The Hospital previously issued additional bonds to assist with the financing of facility renovation projects and the purchase of a physician practice. No new long-term debt was issued in 2024.

Contacting The Hospital's Finance Department

This financial report is designed to provide the Hospital's 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. If you have questions about this report or need additional financial information, contact Amy Gray, Chief Financial Officer, at Salem Township Hospital, 1201 Ricker Drive, Salem, Illinois 62881.

Salem Township Hospital
Statements of Net Position

March 31,	2024	2023
Assets		
Current assets:		
Cash and cash equivalents	$ 56,046,695	$ 45,737,459
Accounts receivable:		
Patient - Net	1,865,207	3,528,897
Taxes	272,643	262,185
Inventories	459,093	513,271
Prepaid expenses and other	356,131	620,518
Total current assets	58,999,769	50,662,330
Assets limited as to use:		
Bond redemption fund	844,509	818,026
Board-designated fund	7,121	226,897
USDA construction fund	255,693	673,168
USDA reserve fund	1,102,699	1,062,716
Total assets limited as to use	2,210,022	2,780,807
Capital assets:		
Nondepreciable capital assets	3,965,578	1,047,330
Depreciable capital assets - Net	26,590,485	21,427,926
Capital assets - net	30,556,063	22,475,256
Other assets	25,000	25,000
TOTAL ASSETS	$ 91,790,854	$ 75,943,393

Salem Township Hospital
Statements of Net Position (Continued)

March 31,	2024	2023
Liabilities, Deferred Inflows of Resources, and Net Position		
Current liabilities:		
Current maturities of long-term debt	$ 773,291	$ 674,322
Current portion of lease obligations	654,745	642,290
Accounts payable - Trade	4,306,819	1,799,313
Accrued liabilities:		
Payroll and related expenses	2,254,648	2,235,133
Accrued interest	194,137	201,581
Amounts payable to third-party reimbursement programs	10,320,665	5,431,579
Total current liabilities	18,504,305	10,984,218
Long-term liabilities:		
Long-term Debt - Less current portion	12,769,557	13,505,469
Lease obligations - Less current portion	227,921	906,526
Total long-term liabilities	12,997,478	14,411,995
Total liabilities	31,501,783	25,396,213
Deferred inflows of resources - Unearned revenue	7,300	55,896
Net position:		
Invested in capital assets net of related debt	16,690,897	7,433,940
Restricted - Bond redemption fund	844,509	818,026
Restricted - USDA reserve fund	1,102,699	1,062,716
Restricted - USDA construction fund	255,693	673,168
Unrestricted	41,387,973	40,503,434
Total net position	60,281,771	50,491,284
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 91,790,854	$ 75,943,393

See accompanying notes to financial statements.

Salem Township Hospital

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended March 31,	2024	2023
Revenue:		
Net patient service revenue	$ 49,747,733	$ 48,375,104
Other operating revenue	478,137	169,096
Total operating revenue	50,225,870	48,544,200
Operating expenses:		
Salaries	16,407,790	14,574,122
Employee benefits	5,283,508	4,805,148
Purchased services and professional fees	9,420,969	8,008,697
Supplies and other	8,670,674	7,763,450
Depreciation and amortization	3,344,369	2,703,820
Total operating expenses	43,127,310	37,855,237
Income from operations	7,098,560	10,688,963
Nonoperating revenues (expenses):		
Interest income	2,555,162	892,136
Interest expense	(531,478)	(565,232)
Property tax income	282,827	272,643
Loss on disposal of equipment	(7,591)	(166,090)
Rental income	84,577	88,871
Noncapital grants and contributions	308,424	3,755,644
Other	6	-
Total nonoperating revenues (expenses) - Net	2,691,927	4,277,972
Increase in net position	9,790,487	14,966,935
Net position at beginning	50,491,284	35,524,349
Net position at end	$ 60,281,771	$ 50,491,284

See accompanying notes to financial statements.

Salem Township Hospital
Statements of Cash Flows

Years Ended March 31,	2024	2023
Cash flows from operating activities:		
Receipts from and on behalf of patients and others	$ 56,778,646	$ 52,231,007
Payments to suppliers and contractors	(16,009,691)	(16,031,029)
Payments to employees and employee benefits	(21,671,783)	(19,322,819)
Net cash provided by operating activities	19,097,172	16,877,159
Cash flows from noncapital financing activities:		
Property taxes supporting operations	272,369	272,021
Rental Income	84,577	88,871
Principal payments on noncapital long-term debt	(126,943)	(543,253)
Grants, contributions, and other - Net	259,828	163,988
Net cash provided by (used in) noncapital financing activities	489,831	(18,373)
Cash flows from capital and related financing activities:		
Purchase of capital assets	(10,702,148)	(1,127,289)
Principal payments on long-term debt	(510,000)	(464,999)
Principal payments on lease obligations	(666,150)	(643,086)
Interest paid on long-term debt and lease obligations	(538,922)	(572,396)
Proceeds on disposal of capital assets	13,500	19,750
(Increase) decrease in investments held for debt service and construction	351,009	(66,101)
Net cash used in capital and related financing activities	(12,052,711)	(2,854,121)
Cash flows from investing activities:		
Decrease in investments for other than debt service	219,776	701,603
Interest and dividends received	2,555,162	892,136
Other	6	-
Net cash provided by investing activities	2,774,944	1,593,739
Net increase in cash and cash equivalents	10,309,236	15,598,404
Cash and cash equivalents - Beginning of year	45,737,459	30,139,055
Cash and cash equivalents - End of year	$ 56,046,695	$ 45,737,459

Salem Township Hospital
Statements of Cash Flows (Continued)

Years Ended April 30,	2024	2023
Reconciliation of income from operations to net cash provided by operating activities:		
Income from operations	$ 7,098,560	$ 10,688,963
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation and amortization	3,344,369	2,703,820
Changes in operating assets and liabilities:		
Patient accounts receivable	1,663,690	3,288,131
Inventories	54,178	(31,355)
Prepaid expenses and other current assets	264,387	(84,580)
Accounts payable	1,763,387	(142,947)
Accrued payroll and related expenses	19,515	56,451
Amounts payable to third-party reimbursement programs	4,889,086	398,676
Total adjustments	11,998,612	6,188,196
Net cash provided by operating activities	$ 19,097,172	$ 16,877,159
Supplemental cash flows information:		
Capital assets included in accounts payable	$ 939,927	$ 195,808
Capital assets acquired with lease obligations	-	380,464

See accompanying notes to financial statements.

Note 1: Summary of Significant Accounting Policies

Entity

Salem Township Hospital (the “Hospital”) is an acute care hospital located in Salem, Illinois. The Hospital is considered a township hospital under Illinois Statute 60, Article 170. Salem, Illinois Township (the "Township") trustees are responsible for the appointment of members to the Hospital's Board of Directors, however, the Township is not financially accountable for the Hospital, and as such, the Hospital is not considered a component unit of the Township under the Government Accounting Standards Board ("GASB") Statements No. 14 and No. 61.

The Hospital provides inpatient, outpatient and emergency care services to patients in the same geographic area. The Hospital also owns and operates two rural health clinics and other physician clinics.

Method of Accounting

The financial statements of the Hospital have been prepared in accordance with accounting principles generally accepted in the United States as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Hospital's financial statements are presented using the economic resources measurement focus, which uses the accrual basis of accounting.

Use of Estimates in Preparation of Financial Statements

The preparation of the accompanying financial statements in conformity with generally accepted accounting principles in the United States ("GAAP") requires management to make estimates and assumptions that directly affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

The Hospital considers critical accounting estimates to be those that require more significant judgments and include the valuation of patient accounts receivable, including contractual adjustments and allowance for uncollectible accounts, estimated third-party payor settlements, and the estimated liability for self-funded employee group health insurance claims.

Cash Equivalents

Highly-liquid debt instruments with an original maturity of three months or less are considered to be cash equivalents, excluding amounts limited as to use or restricted.

Patient Accounts Receivable and Credit Policy

Patient accounts receivable are primarily uncollateralized patient obligations that are stated at the amount management expects to collect from outstanding balances. These obligations are primarily from local residents, most of whom are insured under third-party payor agreements. The Hospital bills third-party payors on a patient's behalf, or if a patient is uninsured, the patient is billed directly. Once claims are settled with the primary payor, any secondary payor is billed, and patients are billed for copay and deductible amounts that are the patients' responsibility. Payments on patient accounts receivable are applied to the specific claim identified on the remittance advice or statement. The Hospital does not have a policy to charge interest on past due accounts.

Note 1: Summary of Significant Accounting Policies (Continued)

Patient Accounts Receivable and Credit Policy (Continued)

Patient accounts receivable are recorded in the accompanying statements of net position net of contractual adjustments and an allowance for uncollectible accounts, which reflect management's estimate of the amounts that will not be collected. Management provides for contractual adjustments under terms of third-party reimbursement agreements through a reduction of gross revenue and a credit to patient accounts receivable. In addition, management provides for probable uncollectible amounts, primarily from uninsured patients and amounts patients are personally responsible for, through a charge to operations and a credit to the allowance for uncollectible accounts based on its assessment of historical collection likelihood and the current status of individual accounts.

In evaluating the collectibility of patient accounts receivable, the Hospital analyzes past results and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for bad debt. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. Specifically, for receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for bad debts for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors and patients who are known to be having financial difficulties that make the realization of amounts due unlikely.

For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Hospital records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

Inventories

Inventories of supplies are valued at the lower of cost, determined using the first-in, first-out (FIFO) method, or market.

Assets Limited as to Use and Investment Income

Assets limited as to use consist of investments recorded at fair value and include assets the Board of Directors have designated for future capital improvements and expansion, over which the Board of Directors retains control and may at its discretion subsequently use for other purposes and assets held by a trustee under bond indenture agreements.

Note 1: Summary of Significant Accounting Policies (Continued)

Assets Limited as to Use and Investment Income (Continued)

Restricted funds are used to differentiate funds which are limited by the donor to specific uses from funds on which the donor places no restriction or which arise as a result of the operation of the Hospital for its stated purposes. Resources set aside for Board-designated purposes are not considered to be restricted. Grants restricted for specific operating purposes are reported as other operating revenues. Resources restricted by donors or grantors for specific operating purposes are reported in other revenue to the extent expended within the period.

Investment income consists solely of interest income and is reported as nonoperating revenues (expenses) and is included in unrestricted net position unless the income is restricted by donor or law.

Fair Value Measurements

The Hospital measures fair value of its financial instruments using a three-tier hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of fair value hierarchy are as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Hospital has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets in inactive markets.
- Inputs, other than quoted prices, that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified contractual term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The assets or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Assets and Depreciation

Capital assets are recorded at cost, if purchased, or, if donated, at fair value at the date of donation. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Estimated useful lives range from 5 to 20 years for major movable equipment, software, and information systems, and from 5 to 40 years for land improvements, buildings, and fixed equipment. Equipment under obligations is amortized on the straight-line basis over estimated useful life or lease term of the equipment. Such amortization is included in depreciation and amortization in the accompanying financial statements.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support and are excluded from the income from operations, 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 restricted expendable net position. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Impairment of Long-Lived Assets

Capital assets are reviewed for impairment when events or changes in circumstances suggest that the service utility of the capital asset may have significantly and unexpectedly declined. Capital assets are considered impaired if both the decline in service utility of the capital asset is large in magnitude, and the event or change in circumstance is outside the normal life cycle of the capital asset. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset, and construction stoppage. The determination of the impairment loss is dependent upon the event or circumstance in which the impairment occurred. Impairment losses, if any, are reported in the accompanying statements of revenue, expenses, and changes in net position. During 2024 and 2023, the Hospital determined that no evaluations of recoverability were necessary.

Compensated Absences

Hospital policies permit most employees to accumulate paid time off ("PTO") 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 PTO 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 statement of net position date. The majority of the PTO balances are expected to be utilized by employees in the next fiscal year, and as such, accrued PTO is reported as a current liability.

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the accompanying statements of net position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. At this time, the Hospital has no items that qualify for reporting in this category.

In addition to liabilities, the accompanying statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents the acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Hospital reports deferred inflows of resources for funding received from government and other agencies for services to be provided in a subsequent year. This amount is deferred and will be recognized as an inflow of resources in the period that the amounts become available.

Net Position

Net position of the Hospital is classified in three components. Net investment in capital assets, consist 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 are 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 and accrued liabilities. Unrestricted net position are remaining net assets that do not meet the definition of net investment in capital assets restricted nonexpendable or restricted expendable.

Operating Revenues and Expenses

The Hospital's statements of revenue, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues include the exchange transactions associated with providing health care services other than noncapital grants and contributions. Operating expenses are all expenses incurred to provide health care services, other than financing costs. Nonoperating revenue and expenses are those transactions not considered directly linked to providing health care services.

Net Patient Service Revenue

The Hospital recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. Certain third-party payor reimbursement agreements are subject to audit and retrospective adjustments. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Note 1: Summary of Significant Accounting Policies (Continued)

Net Patient Service Revenue (Continued)

For uninsured patients who do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by the Hospital's uninsured patient policy). On the basis of historical experience, a significant portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services that are provided. Thus, the Hospital records a significant provision for bad debts related to uninsured patients in the period the services are provided.

Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. The Hospital maintains records to identify the amount of charges forgone for services and supplies furnished under the charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue.

Grants and Contributions

The Hospital receives grants as well as contributions from individuals and private organizations. Revenue from grants and contributions (including contributions of capital assets) is recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or are restricted to a specific operating purpose are reported as nonoperating revenue (expenses).

Advertising Costs

Advertising costs are expensed as incurred.

Unemployment Compensation

The Hospital has elected the reimbursement method to finance the cost of unemployment compensation benefits. Unemployment compensation expense is charged to operating expense when paid or when the amount of the claims can be estimated.

Income Taxes

The Hospital provides an essential function to the Salem, Illinois community and surrounding areas; therefore, the Hospital is exempt from income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law.

Note 1: Summary of Significant Accounting Policies (Continued)

Tax Revenue

The Hospital recognized property tax revenue of $282,827 in 2024 and $272,643 in 2023 to subsidize insurance expense and fund operation of plant costs. The taxes are assessed in December and are primarily received in the following July and September. Property taxes are recognized as assets in the period an enforceable legal claim to the assets arises and are recognized as revenue in the period for which the taxes are levied. Property taxes are collected by the City of Salem, the taxing authority, and remitted to the Hospital.

Subsequent Events

Subsequent events have been evaluated through October 29, 2024, which is the date the financial statements were available to be issued. See Note 4 for additional information on a subsequent event.

Note 2: Deposits and Investments

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.

Illinois state statutes authorize the Hospital to make deposits and investments in interest-bearing depository accounts in federally insured and/or state-chartered banks and savings and loan associations or other financial institutions, as designated by ordinances, and to invest available funds in direct obligations of, or obligations guaranteed by, the U.S. Treasury or agencies of the United States, money market mutual funds whose portfolios consist of government securities, the Illinois Public Treasury's Investment Pool, and the Illinois Funds Investment Pool (the "Pool"). The Hospital's investments consist entirely of cash depository accounts and money market funds.

The Hospital's bank depository and money market fund balances which are above the Federal Deposit Insurance Corporation (FDIC) coverage limits, were fully collateralized by a pledging financial institution's trust department or other agent in other than the Hospital's name at March 31, 2024 and 2023.

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. It may also invest to a limited extent in corporate bonds and equity securities.

Summary of Carrying Values and Classifications of Deposits and Investments

The carrying value of deposits and investments of the Hospital shown below are included in the statements of net position at March 31 as follows:

	2024	2023
Deposits and investments:		
Cash	$ 57,154,018	$ 47,455,550
Money market funds	1,102,699	1,062,716
Totals	$ 58,256,717	$ 48,518,266
Included in the following statements of net position captions:		
Cash and cash equivalents	$ 56,046,695	$ 45,737,459
Assets limited as to use	2,210,022	2,780,807
Totals	$ 58,256,717	$ 48,518,266

Note 2: Deposits and Investments (Continued)

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Hospital's investment portfolio shall be structured in such manner as to provide sufficient liquidity to pay obligations as they come due.

Note 3: Fair Value Measurements

The following is a description of the valuation methodology used for assets measured at fair value on a recurring basis:

- Money market funds are measured using $1 as net asset value.

The previously described method may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. In addition, the Hospital believes its valuation methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Hospital's assets measured at fair value on a recurring basis as of March 31:

	Fair Value Measurements Using			Total Assets at
2024	**Level 1**	**Level 2**	**Level 3**	**Fair Value**
Money market funds (included in assets limited as to use as described in Note 3)	$ -	$ 1,102,699	$ -	$ 1,102,699
2023				
Money market funds (included in assets limited as to use as described in Note 3)	$ -	$ 1,062,716	$ -	$ 1,062,716

Note 4: Reimbursement Arrangements With Third-Party Payors

The Hospital has agreements with third-party payors that provide for reimbursement at amounts, which vary from its established rates. A summary of the basis of reimbursement with major third-party payors follows:

Hospital Services

Medicare - The Medicare program has designated the Hospital as a critical access hospital ("CAH") for Medicare reimbursement purposes. Under this designation, inpatient, swing-bed, and outpatient hospital services rendered to Medicare program beneficiaries are paid based on a cost-reimbursement methodology, with the exception of certain laboratory and mammography services. Certain professional services provided by physicians and other clinicians are reimbursed based on prospectively determined fee schedules.

Note 4: Reimbursement Arrangements With Third-Party Payors (Continued)

Medicaid - Hospital services rendered to Illinois Public Aid beneficiaries are paid at prospectively determined rates based on a patient classification system. These rates are not subject to retroactive adjustment; however, in order to receive proper reimbursement, the Hospital must file a cost report annually with the State of Illinois.

Others - 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.

Rural Health Clinic Services

Medicare - Certain physician and professional services rendered to Medicare beneficiaries qualify for reimbursement as rural health clinic ("RHC") services. Qualifying services are reimbursed based on a cost-reimbursement methodology.

Medicaid - Certain clinic services rendered to Illinois Public Aid beneficiaries are paid at prospectively determined rates that are updated annually.

Hospital Medicaid Assessment Programs

The Hospital records additional Medicaid revenue from the State of Illinois Hospital Assessment Program when received. Under the hospital assessment program, each hospital is assessed based on their adjusted gross hospital revenue in order to provide for additional Medicaid revenues to be redistributed to hospitals in the State of Illinois under various payment programs. Governmental hospitals, including the Hospital, are exempt from paying the assessment but are still eligible to participate in the enhanced payments.

In accordance with 305 ILCS 5/SA-12.4, enacted in 2012, the Illinois Department of Healthcare and Family Services started making Hospital Access Improvement Payments in state Fiscal Year 2014 after federal approval was achieved. The program is commonly referred to as the Enhanced Hospital Assessment and is effective for the period June 10, 2012 through June 30, 2018.

In accordance with Public Act 98-651 (SB 741), enacted on June 16, 2014, the State of Illinois authorized the creation of the Managed Care Organization Hospital Access Program, commonly known as MCO-HAP. Under this program, a portion of the funds that are currently paid to hospitals under the Hospital Assessment Program will be paid to Medicaid managed care organizations (MCOs) as increased capitation rates. The MCOs may then only use the increased capitation rates to make payments to hospitals in a manner that replicates the payment of the hospital access payments under the Hospital Assessment Program.

In accordance with 305 ILCS 5/5A-12.5, enacted in 2014, the Illinois Department of Healthcare and Family Services (HFS) requested new supplemental payments to hospitals for services provided to newly eligible Medicaid beneficiaries under the Affordable Care Act. In January 2015 HFS was granted approval by the Centers for Medicare and Medicaid Services (CMS). The program is commonly referred to as the ACA Expansion Payments and will be effective in its current design through June 30, 2018.

Note 4: Reimbursement Arrangements With Third-Party Payors (Continued)

In accordance with Public Act 99-516 (HB4678), enacted in 2016, the State of Illinois authorized the extension of the Affordable Care Act Expansion Payments for adults enrolled in Managed Care Organizations. Under 305 ILCS 5/5A- 12.5, the supplemental payments were for newly eligible Medicaid beneficiaries under the Affordable Care Act. With the shift to managed care, the ACA Access Payments are now extended to Affordable Care Act adults in Managed Care Organizations. This program was in effect in its current design through June 30, 2018.

The assessment and supplemental payment programs were extended under a redesigned program which was approved and extended through June 30, 2024.

Accounting for Contractual Arrangements

The Hospital is reimbursed for cost-reimbursable items at tentative rates, with final settlements determined after audit of the related annual cost reports by the Medicare fiscal intermediary. Estimated provisions to approximate the final expected settlements after review by the intermediary are included in the accompanying financial statements. The Hospital's cost reports have been reviewed by the Medicare fiscal intermediary through March 31, 2019.

Subsequent to the year ended March 31, 2024, the Hospital received correspondence from Blue Cross and Blue Shield of Illinois related to potential overpayments on claims which included dates of service in fiscal years 2023 and 2024 which under the terms of the Hospital's contract could result in repayment. Management of the Hospital is currently reviewing the proposed recoupment information provided and as a result of the notice from Blue Cross and Blue Shield of Illinois, recorded an approximately $7,200,000 payable within the amounts payable to third-party reimbursement programs in the accompanying statements of net position at March 31, 2024 and reduced net patient service revenue in 2024 in the accompanying statements of revenue, expenses, and changes in net position as well. It is anticipated that a final settlement with Blue Cross and Blue Shield of Illinois will be made in 2025.

Note 5: Patient Accounts Receivable - Net

Patient accounts receivable - net consisted of the following at March 31:

	2024	2023
Gross patient accounts receivable	$ 32,409,006	$ 42,437,641
Less:		
Contractual adjustments	25,248,417	26,737,088
Allowance for uncollectible accounts	5,295,382	12,171,656
Patient accounts receivable - Net	$ 1,865,207	$ 3,528,897

Note 6: Net Patient Service Revenue

The following table sets forth the detail of net patient service revenue for the years ended March 31:

	2024	2023
Gross patient service revenue	$ 184,514,512	$ 158,979,208
Less:		
Contractual allowances	132,612,205	107,142,708
Provision for bad debts	2,154,574	3,461,396
Net patient service revenue	$ 49,747,733	$ 48,375,104

Note 7: Charity Care

The Hospital provides health care services and other financial support through various programs that are designed, among other matters, to enhance the health of the community, including the health of low-income patients. Consistent with the mission of the Hospital, care is provided to patients regardless of their ability to pay, including providing services to those persons who cannot afford health insurance because of inadequate resources or who are underinsured.

Patients who meet certain criteria for charity care, generally based on federal poverty guidelines, are provided care without charge or at a reduced rate, determined based on qualifying criteria as defined in the Hospital's financial assistance policy and from applications completed by patients and their families. The Hospital is also required to provide additional discounts to uninsured hospital patients under the Hospital Uninsured Patient Discount Act as required by Illinois state law.

Patients who meet certain criteria for charity care, generally based on federal poverty guidelines, are provided care based on criteria defined in the Hospital's charity care policy. The Hospital maintains records to identify and monitor the level of charity care it provides. The amount of charges foregone for services and supplies furnished under the Hospital's charity care policy aggregated $3,153,593 and $2,477,413 for the years ended March 31, 2024 and 2023, respectively.

Note 8: Capital Assets

Capital asset balances and activity for the year ended March 31, 2024, were as follows:

	Balance April 1, 2023	Increases	Decreases and Transfers	Balance March 31, 2024
Nondepreciable capital assets:				
Land	$ 203,353	$ -	$ -	$ 203,353
Construction in progress	843,977	2,918,248	-	3,762,225
Total nondepreciable capital assets	1,047,330	2,918,248	-	3,965,578
Depreciable capital assets:				
Land improvements	1,191,840	-	-	1,191,840
Building	35,375,964	6,544,588	-	41,920,552
Fixed equipment	2,829,195	22,486	-	2,851,681
Leased assets	4,786,170	-	-	4,786,170
Departmental equipment	11,883,149	1,968,665	(437,778)	13,414,036
Total depreciable capital assets	56,066,318	8,535,739	(437,778)	64,164,279
Accumulated depreciation:				
Land improvements	1,026,273	55,220	-	1,081,493
Building	18,906,046	1,602,409	-	20,508,455
Fixed equipment	2,010,198	152,963	-	2,163,161
Leased assets	3,223,953	677,680	-	3,901,633
Departmental equipment	9,471,922	856,097	(408,967)	9,919,052
Total accumulated depreciation	34,638,392	3,344,369	(408,967)	37,573,794
Depreciable capital assets - Net	21,427,926	5,191,370	(28,811)	26,590,485
Capital assets - Net	$ 22,475,256	$ 8,109,618	$ (28,811)	$ 30,556,063

The majority of construction in progress at March 31, 2024, relates to an ongoing hospital facility renovation and an information systems conversion. The facility renovation project which was partially completed and placed into service in 2024 and the remaining portion of this project relates to a surgery and emergency department renovation. The information systems conversion project includes the replacement of the Hospital's current electronic medical records system, and is anticipated to be placed into service in 2024. The estimated remaining commitments related to these projects were approximately $4,361,000 at March 31, 2024, and the projects are anticipated to be funded from operating cash reserves of the Hospital.

Note 8: Capital Assets (Continued)

Capital asset balances and activity for the year ended March 31, 2023, were as follows:

	Balance April 1, 2022	Increases	Decreases and Transfers	Balance March 31, 2023
Nondepreciable capital assets:				
Land	$ 203,353	$ -	$ -	$ 203,353
Construction in progress	128,713	515,264	200,000	843,977
Total nondepreciable capital assets	332,066	515,264	200,000	1,047,330
Depreciable capital assets:				
Land improvements	1,191,840	-	-	1,191,840
Building	35,340,942	169,022	(134,000)	35,375,964
Fixed equipment	2,831,440	-	(2,245)	2,829,195
Leased assets	4,466,685	380,477	(60,992)	4,786,170
Departmental equipment	11,686,238	702,146	(505,235)	11,883,149
Total depreciable capital assets	55,517,145	1,251,645	(702,472)	56,066,318
Accumulated depreciation:				
Land improvements	1,006,279	19,994	-	1,026,273
Building	17,537,115	1,400,198	(31,267)	18,906,046
Fixed equipment	1,898,978	112,912	(1,692)	2,010,198
Leased assets	2,663,719	621,226	(60,992)	3,223,953
Departmental equipment	9,354,306	549,490	(431,874)	9,471,922
Total accumulated depreciation	32,460,397	2,703,820	(525,825)	34,638,392
Depreciable capital assets - Net	23,056,748	(1,452,175)	(176,647)	21,427,926
Capital assets - Net	$ 23,388,814	$ (936,911)	$ 23,353	$ 22,475,256

Note 9: Long-Term Debt

Long-term debt consisted of the following for the years ended March 31:

	Balance April 1, 2023	Additions	Reductions	Balance March 31, 2024	Amounts Due Within One Year
Direct placements:					
Revenue bonds, 2008 (a)	$ 4,560,000	$ -	$ 180,000	$ 4,380,000	$ 240,000
Revenue bonds, 2008 (b)	8,932,500	-	330,000	8,602,500	330,000
Other debt:					
Note payable, 2018 (c)	687,291	-	126,943	560,348	203,291
	$ 14,179,791	$ -	$ 636,943	$ 13,542,848	$ 773,291

	Balance April 1, 2022	Additions	Reductions	Balance March 31, 2023	Amounts Due Within One Year
Direct placements:					
Revenue bonds, 2008 (a)	$ 4,740,000	$ -	$ 180,000	$ 4,560,000	$ 180,000
Revenue bonds, 2008 (b)	9,217,500	-	285,000	8,932,500	330,000
Other debt:					
Note payable (c)	1,230,543	-	543,252	687,291	164,322
	$ 15,188,043	$ -	$ 1,008,252	$ 14,179,791	$ 674,322

Direct Placement Debt:

(a) U.S.D.A. Revenue bonds, dated November 21, 2008, with interest at 4.5% per annum, principal paid annually, interest due semiannually, maturing May 1, 2011 through May 1, 2038. The U.S.D.A. Rural Development Loan Resolution Security Agreement requires the Hospital to deposit a total of $3,200 each month into a reserve account until $382,000 has been accumulated in the account. The reserve fund can only be expended for specific purposes as outlined in the Security Agreement.

Note 9: Long-Term Debt (Continued)

(b) Revenue bonds, dated March 28, 2013, with interest at 3.125% per annum, principal paid annually, maturing May 1, 2042. The bonds will be used for the purpose of paying costs of a Hospital addition and renovations for the Hospital. The U.S.D.A Rural Development Loan Resolution Security Agreement requires the Hospital to deposit a total of $5,200 each month into a reserve account until $614,000 has been accumulated in the account. The reserve fund can only be expended to the extent necessary to prevent or remedy a default in the payment of the bonds to the issuer.

Other Long-Term Debt:

(c) Note payable to physician under a settlement agreement and mutual release, which included a refinancing of two prior notes for an asset purchase agreement dated April 18, 2018, with interest at 3.0556% per annum, principal and interest paid monthly in equal installments of $14,558 starting May 1, 2018, with two lump sum payments in the amount of $424,740 due and paid on March 1, 2022 and January 1, 2023; with final payment due in May 1, 2027.

Scheduled principal and interest repayments on long-term debt are as follows at March 31, 2024:

Year Ending March 31	Principal	Interest
2025	$ 773,291	$ 479,671
2026	741,947	453,570
2027	800,110	427,407
2028	615,000	401,184
2029	615,000	378,666
2030-2034	3,575,000	1,527,159
2035-2039	4,270,000	818,503
2040-2043	2,152,500	157,500
Totals	$ 13,542,848	$ 4,643,660

Note 10: Leases

Changes in lease obligations consisted of the following for the years ended March 31:

	Balance April 1, 2023	Additions	Reductions	Balance March 31, 2024	Amounts due Within One Year
MRI (a)	$ 932,291	$ -	$ (408,181)	$ 524,110	$ 418,033
Surgery power tools (b)	108,674	-	(35,992)	72,682	40,882
Radio frequency generator (c)	34,228	-	(17,738)	16,490	16,490
Surgical equipment (d)	104,610	-	(38,514)	66,096	43,629
Surgical equipment (e)	33,817	-	(15,956)	17,861	17,861
Arthroscopy and laproscopy equipment (f)	180,054	-	(64,891)	115,163	65,556
Pharmacy dispensing equipment (g)	88,088	-	(61,870)	26,218	26,218
IV pumps (h)	67,054	-	(23,008)	44,046	26,076
Leases payable	$ 1,548,816	$ -	$ (666,150)	$ 882,666	$ 654,745

	Balance April 1, 2022	Additions	Reductions	Balance March 31, 2023	Amounts due Within One Year
MRI (a)	$ 1,330,821	$ -	$ (398,530)	$ 932,291	$ 408,170
Surgery power tools (b)	-	121,852	(13,178)	108,674	40,882
Radio frequency generator (c)	51,708	-	(17,480)	34,228	17,738
Surgical equipment (d)	27,480	128,827	(51,697)	104,610	41,946
Surgical equipment (e)	-	52,291	(18,474)	33,817	17,387
Arthroscopy and laproscopy equipment (f)	244,286	-	(64,232)	180,054	64,891
Pharmacy dispensing equipment (g)	148,497	-	(60,409)	88,088	26,218
IV pumps (h)	-	77,494	(10,440)	67,054	25,058
Leases payable	$ 1,802,792	$ 380,464	$ (634,440)	$ 1,548,816	$ 642,290

The terms and expiration dates of the Hospital's lease obligations are as follow:

(a) Lease obligation for MRI equipment, maturing in July 2025, payable in monthly installments of $35,500 including interest with a rate of 2.39%.

Note 10: Leases (Continued)

(b) Lease obligation for surgery power tools equipment, maturing in December 2025, payable in monthly installments of $3,595 including interest with a rate of 4.18%.

(c) Lease obligation for a radio frequency generatory, maturing in March 2025, payable in monthly installments of $1,510 including interest with a rate of 1.47%.

(d) Lease obligation for surgical equipment, maturing in September 2025, payable in monthly installments of $3,788 including interest with a rate of 3.94%. Lease was amended and extended during the year ended March 31, 2023.

(e) Lease obligation for surgical equipment, maturing in March 2025, payable in monthly installments of $1,510 including interest with a rate of 2.69%.

(f) Lease obligation for arthroscopy and laproscopy surgical equipment, maturing in December 2025, payable in monthly installments of $5,535 including interest with a rate of 1.02%.

(g) Lease obligation for pharmacy dispensing system equipment, maturing in September 2024, payable in monthly installments of $5,275 including interest with a rate of 2.39%.

(h) Lease obligation for IV infusion equipment, maturing in December 2025, payable in monthly installments of $2,280 including interest with a rate of 3.99%.

Capital assets, and their related accumulated amortization, which are being utilized during the lease terms described above are included capital assets within the accompanying statements of net position as well as within Note 8 as leased assets.

Future minimum lease payments as of March 31, 2024, are:

	Leases		
	Principal	Interest	Total
2025	$ 654,745	$ 13,369	$ 668,114
2026	227,921	1,221	229,142
Total	$ 882,666	$ 14,590	$ 897,256

Note 11: Retirement Plans

Salem Township Hospital Pension Plan provides retirement and death benefits to plan members and beneficiaries. The Hospital provides this service to employees as administered by Copeland Associates, Inc. The plan was intended to be an eligible deferred compensation plan within the meaning of IRC Section 457(b). The purpose of the plan is to provide employees with a convenient way to save for retirement. In conjunction with the deferred compensation plan, the Hospital has also implemented a 401(a) plan. The Hospital provides this service to employees as administered by MetLife Associates LLC.

The 457(b) plan consists solely of discretionary contributions from the employees. The Hospital provides matching contributions into the 401(a) plan of an amount up to 100% of such eligible participant's employee basic contributions up to 2% of the participant's eligible compensation which are made under the Hospital's 457(b) plan. Employees are 100% vested immediately in their own contributions to the 457(b) plan; however, employees are not vested in matching contributions by the Hospital into the 401(a) plan after 5 years of service as defined by the plan documents. After achieving 5 years of service, employees become 100% vested in matching contributions made by the Hospital into the 401(a) plan. Employees also become 100% vested in matching contributions by the Hospital into the 401(a) plan if they become disabled or reach normal retirement age as defined in the plan documents.

Retirement plan expense was $169,321 and $149,097 for the years ended March 31, 2024 and 2023, respectively.

Note 12: Professional Liability Insurance

The Hospital is a participant in the Illinois Provider Trust ("IPT"). IPT provides professional and general liability insurance coverage to member hospitals on a pooled risk basis. The pool provides liability coverage on a claims-made basis of $2,000,000 per occurrence, with no annual aggregate. In addition, the Hospital has purchased excess coverage that provides for an additional $3,000,000 per coverage in addition to the primary coverage provided by the IPT program. Funding to IPT is determined by annual actuarial valuations which are based on a member hospital's loss experience. Contributions to IPT are expected during the year in which they relate. If the actual loss experience of IPT exceeds the actuarially projected loss experience, the Hospital would be required to make additional contributions to IPT. For the years ended March 31, 2024 and 2023, the Hospital made no additional contributions to IPT related to additional assessments.

Note 13: Employee Health Plan

The Hospital sponsors a partially self-funded employee group health plan to provide benefits for employees above the individual health claim payments by its funded health insurance product. The plan is offered and available to certain full and part-time employees. Insurance coverage has been purchased by the Hospital for any claims exceeding $60,000 per claim year by a covered member of the health plan. The Hospital is responsible for amounts not covered by the insurance policy and accrues an estimated health insurance expense or claims cost for its share of the claims, plus unasserted claims and unreported claims through its fiscal year-end by reviewing the probability of claims outstanding and not yet incurred by or billed to the plan based on the Hospital's past experience.

At March 31, 2024 and 2023, the Hospital included an estimated liability for claims incurred but not reported or paid at year-end in the amounts of $1,205,211 and $938,332, respectively within other accrued liabilities in the accompanying financial statements. Total health insurance expense for the years ended March 31, 2024 and 2023, was $3,731,676 and $3,777,318, respectively.

Note 14: Concentration of Credit Risk

Patient accounts receivable consist of amounts due from patients, their insurers, or governmental agencies (primarily Medicare and Medicaid) for health care provided to patients. The majority of the Hospital's patients are from Salem, Illinois, and the surrounding area.

The mix of receivables from patients and third-party payors was as follows at March 31:

	2024	2023
Medicare	35 %	37 %
Medicaid	25 %	27 %
Other third-party payors	23 %	19 %
Patients and other	17 %	17 %
Totals	100 %	100 %

Note 15: Laws and Regulations

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and billing regulations. Government activity with respect to investigations and allegations concerning possible violations of such regulations by health care provider has increased. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayment for patient services previously billed. While no significant regulatory inquiries have been made to the Hospital, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

Note 15: Laws and Regulations (Continued)

CMS uses recovery audit contractors (RAC) as part of its efforts to ensure accurate payments under the Medicare program. RACs search for potential inaccurate Medicare payments that may have been made to health care providers that were not detected through existing CMS program integrity efforts. Once an RAC identifies a claim it believes is inaccurate, it makes a deduction from or addition to the provider's Medicare reimbursement in an amount equal to the overpayment or underpayment. The Hospital may either accept or appeal the RAC's findings. As of March 31, 2024, the Hospital has not been notified by the RAC of any potential reimbursement adjustments.

Note 16: Reclassifications

Certain reclassifications have been made to the 2023 financial statements to conform with the classifications used in 2024.

Compliance

Salem Township Hospital

Schedule of Expenditures of Federal Awards

Year Ended March 31, 2024

Federal Grantor/Program Title	Contract Number	Entity Passed Through	Federal Assistance Listing Number	Grantor Time Period	Federal Expenditures
U.S. Department of Agriculture:					
Community Facilities Loan Program - Emergency Rural Healthcare Grant	N/A	Direct	10.766	April 1, 2023 - March 31, 2024	$ 252,047
Community Facilities Loan Program (Cluster)	N/A	Direct	10.766	April 1, 2023 - March 31, 2024	13,492,500
Total expenditures of federal awards					$ 13,744,547

See Independent Auditor's Report.

See notes to schedule of expenditures of federal awards.

Salem Township Hospital

Notes to Schedule of Expenditures of Federal Awards

Year Ended March 31, 2024

Note 1: Basis of Presentation

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

Note 2: Summary of Significant Accounting Policies

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

Note 3: Indirect Cost

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

Note 4: Subrecipients

The Hospital passed no federal awards through to subrecipients.

Note 5: Balance of Outstanding Loans

The loan balances outstanding at the beginning of the year are included in the federal expenditures presented in the Schedule. There were no new loans received during the year ending March 31, 2024. The amount outstanding below represents the balance outstanding on the loans at the end of year as of March 31, 2024.

Program Title	Federal CFDA Number	Amount Outstanding
Community Facilities Loans and Grants	10.766	$12,982,500

WIPFLI

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

Board of Directors
Salem Township Hospital
Salem, Illinois

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Salem Township Hospital (the "Hospital"), as of and for the year ended March 31, 2024 and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated October 29, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Wipfli LLP

Wipfli LLP
Eau Claire, Wisconsin
October 29, 2024

WIPFLI

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

Board of Directors
Salem Township Hospital
Salem, Illinois

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Salem Township Hospital's (the "Hospital") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2024. The Hospital's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Hospital complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each major federal program for the year ended March 31, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibility for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Hospital's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Hospital's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

Wipfli LLP
Eau Claire, Wisconsin
October 29, 2024

Salem Township Hospital

Schedule of Findings and Questioned Costs

Year Ended March 31, 2024

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness identified?	____ yes	X no
Significant deficiency(ies) identified ?	____ yes	X none reported
Noncompliance material to the financial statements?	____ yes	X no

Federal Awards

Internal control over compliance:		
Material weakness identified?	____ yes	X no
Significant deficiency(ies) identified ?	____ yes	X none reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance [2 CFR 200.516(a)]?	____ yes	X no

Identification of major federal programs:

Federal Assistance Listing Number	Name of Federal Program or Cluster
10.766	Community Facilities Loans and Grants

Dollar threshold used to distinguish between Type A and Type B programs	$750,000	
Auditee qualified as a low-risk auditee?	____ yes	X no

Salem Township Hospital

Schedule of Findings and Questioned Costs (Continued)

Year Ended March 31, 2024

Section II – Financial Statement Findings

None.

Section III - Major Federal Award Program Findings and Questioned Costs

None.

Salem Township Hospital

Schedule of Prior Year Findings and Questioned Costs

Year Ended March 31, 2024

Section II – Financial Statement Findings

2023-001 Account Reconciliations and Audit Adjustments

Condition – During the audit, it was noted that account reconciliations are not performed on a routine basis for a number of general ledger accounts, which resulted in a significant number of audit adjustments as well as year-end adjustments to the internal financial statements.

Criteria – The presence of accounts in an organization's general ledger that are reconciled only annually or not routinely throughout the year, and the significant inconsistent reporting between the monthly financial statements and annual audited financial statements, are considered an internal control weakness.

Effect – Account reconciliations help to ensure that amounts recorded on the general ledger are accurately stated. A lack of account reconciliations can cause numerous audit adjustments and significant differences in financial reporting. Accurate financial reporting is essential for business planning and review of financial information throughout the year.

Recommendation – We recommend the Hospital put into place procedures for reconciling key general ledger accounts on a routine basis throughout the year, as well as develop processes to review the reconciliations on a routine basis.

Management's Response / Current Status – The Hospital hired a new Chief Financial Officer subsequent to the year ended March 31, 2023, and the new Chief Financial Officer implemented processes and was more involved with the reconciliation processes. There were some adjusting entries noted in the 2024 audit process; however, the majority of these reconciliations related to year-end estimates which additional information was reviewed by both management of the Hospital and in conjunction with the financial statement auditors and issues were not noted of material amounts in basic account reconciliations and accounting processes. At March 31, 2024, the Hospital has corrected a significant amount of the accounting issues and created better practices to eliminate many of these accounting challenges in the future.

Section III – Major Federal Award Programs

None.