MASSAC MEMORIAL HOSPITAL
AND AFFILIATED ORGANIZATION

FINANCIAL STATEMENTS

MARCH 31, 2024 AND 2023

CPAs / ADVISORS

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MASSAC MEMORIAL HOSPITAL
AND AFFILIATED ORGANIZATION

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MARCH 31, 2024 AND 2023

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REPORT OF INDEPENDENT AUDITORS

Board of Trustees
Massac Memorial Hospital and Affiliated Organization
Metropolis, Illinois

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Massac County Hospital District d/b/a Massac Memorial Hospital and Affiliated Organization (collectively the "Hospital"), component units of Massac County, which comprise the statements of net position as of March 31, 2024 and 2023, and the related statements of operations 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the Hospital as of March 31, 2024 and 2023, and the respective changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

Change in Accounting Principle

As described in Note 2 to the financial statements, the Hospital adopted Government Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*, during 2024. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

Board of Trustees
Massac Memorial Hospital and Affiliated Organization
Metropolis, Illinois

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 twelve months beyond the statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 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 generally accepted auditing standards 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.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of net patient service revenue, schedules of other operating revenue, and schedules other operating expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The schedules of statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

<u>Other Reporting Required by *Government Auditing Standards*</u>

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 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. The 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.

Blue & Co., LLC

Louisville, Kentucky
September 26, 2024

MASSAC MEMORIAL HOSPITAL
AND AFFILIATED ORGANIZATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
MARCH 31, 2024 AND 2023

Management's discussion and analysis of the financial performance of Massac County Hospital District d/b/a Massac Memorial Hospital and Affiliated Organization (collectively the "Hospital") provides an overview of the Hospital's financial activities and performance for the years ended March 31, 2024 and 2023. This discussion and analysis should be read in conjunction with the Hospital's accompanying financial statements. Management is responsible for the completeness and fairness of the financial statements and the related footnote disclosures along with this discussion and analysis.

FINANCIAL AND ORGANIZATIONAL HIGHLIGHTS

The Hospital's net position increased $283,805 from 2023 to 2024 and includes a loss from operations of $1,202,102 in 2024. The Hospital's net position increased $4,254,051 from 2022 to 2023 and includes income from operations of $1,715,007 in 2023.

During 2024, the Hospital's total operating revenue increased by 5.6% to $32,570,331 with total operating expenses increasing by 15.9% to $33,772,433. During 2023, the Hospital's total operating revenue increased by 17.2% to $30,846,262 with total operating expenses increasing by 5.9% to $29,131,255.

During the year ended March 31, 2024, the Hospital recognized the following accomplishments:

- The Hospital's rural health clinic added a mobile unit in order to service three additional communities. This brings nurse practitioners closer to the patients who have difficulty traveling to our current clinic locations. The Hospital is working on ways to make healthcare easy for its patients. Transportation is a big hindrance for many patients and continuing to help them is an area of emphasis.

- The Hospital moved to a new company furnishing emergency room physicians effective April 30, 2023. Its new partner, Integritas, is a local organization that loves to take care of the sick and injured with skill and compassion. They have committed providers using evidence-based medicine with dedicated medical directors and local administrative support.

- The Hospital added a hospitalists group as of May 1, 2023. Integritas is also providing this new service to the Hospital. As the hospitalists work side-by-side with our emergency providers, we receive seamless interaction between the emergency department and the inpatient unit.

- The swing bed program has dramatically grown during the 2024 fiscal year. The average daily census for swing beds increased 125% from 2023 to 2024. This is due to focused efforts on promoting the excellent service performed in our swing bed program.

- During 2024, the Hospital adopted Governmental Accounting Standards Board ("GASB") Statement No. 96, *Subscription-Based Information Technology Arrangements*.

During the year ended March 31, 2023, the Hospital recognized the following accomplishments:

- Hospital clinics welcomed a local private provider office as employees into the Hospital's rural health clinics as of January 30, 2023.

- Based on the needs from the Hospital's previous critical health needs assessment, we initiated a transportation department this fiscal year. The Hospital has two vans that transport its patients from their home to healthcare facilities and back to their homes as needed.

- Access to imaging services is crucial for the diagnosis and treatment of diseases. The Hospital made the investment this fiscal year to replace its current equipment with a new Fuji suite of Radiology equipment. The suite includes a portable x-ray system, digital radiology ("DR") detectors, an x-ray room, a radiography fluoroscopy system, a computerized tomography ("CT") system and an open magnetic resonance imaging ("MRI") system.

- The Hospital invested in its most valuable resource, its employees, by reaching the state's minimum wage requirements two years prior to the required date. Also, market adjustments were calculated for employees in order to remain competitive in the region.

- During 2023, the Hospital adopted Governmental Accounting Standards Board Statement No. 87 – Leases, which requires certain leases to be recorded in the statement of net position.

FINANCIAL STATEMENTS

The financial statements of the Hospital present information about the Hospital using financial reporting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information. The statements of net position include all of the Hospital's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to the Hospital's creditors (liabilities). It also provides the basis for compiling rate of return, evaluating the capital structure of the Hospital, and assessing the liquidity and financial flexibility of the Hospital. All of the current and prior year's revenues and expenses are accounted for in the statements of operations and changes in net position. In addition, this statement measures the financial results of the Hospital's operations and presents revenues earned and expenses incurred, as well as provides information concerning the components of changes to net position. The statements of cash flows provide information about the Hospital's cash flows from operating activities, noncapital financing activities, capital and related financing activities, and investing activities, plus provide information on the sources and uses of cash during both the current and prior year.

FINANCIAL ANALYSIS

The statements of net position and statements of operations and changes in net position report information about the Hospital's activities. These two statements report the net position of the Hospital and its related changes. Increases or decreases in the Hospital's net position are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in economic conditions, population changes (including uninsured and medically indigent individuals and families), and new or changed governmental legislation should also be considered.

CONDENSED FINANCIAL INFORMATION

A summary of the Hospital's statements of net position as of March 31, 2024 and 2023 is presented below:

	2024	2023 As restated	$ Change	% Change
Assets				
Current assets	$ 29,389,231	$ 29,582,794	$ (193,563)	-0.7%
Capital assets, net	13,903,801	15,101,378	(1,197,577)	-7.9%
Other assets	167,713	167,360	353	0.2%
Total assets	$ 43,460,745	$ 44,851,532	$ (1,390,787)	-3.1%
Liabilities				
Current liabilities	$ 3,994,181	$ 4,426,714	$ (432,533)	-9.8%
Long-term liabilities	7,392,782	8,117,159	(724,377)	-8.9%
Total liabilities	11,386,963	12,543,873	(1,156,910)	-9.2%
Deferred inflows	72,491	590,173	(517,682)	-87.7%
Total liabilities and deferred inflows	11,459,454	13,134,046	(1,674,592)	-12.8%
Net position				
Net investment in capital assets	5,952,439	6,609,634	(657,195)	-9.9%
Restricted	337,530	337,920	(390)	-0.1%
Unrestricted	25,711,322	24,769,932	941,390	3.8%
Total net position	32,001,291	31,717,486	283,805	0.9%
Total liabilities, deferred intflows, and net position	$ 43,460,745	$ 44,851,532	$ (1,390,787)	-3.1%

- Current liabilities decreased by $432,533 from 2023 to 2024. The decrease is primarily attributable to having a large receivable for the cost report for the 2024 fiscal year.

- Long-term liabilities decreased $724,377 from 2023 to 2024. This was primarily due to the annual principal and interest payment on the debt.

- Deferred inflows decreased $517,682 from 2023 to 2024. The decrease is primarily attributable to recognizing less dividend payments during the 2024 fiscal year.

A summary of the Hospital's statements of net position as of March 31, 2023 and 2022 is presented below:

	2023 As restated	2022	$ Change	% Change
Assets				
Current assets	$ 29,582,794	$ 32,675,047	$ (3,092,253)	-9.5%
Capital assets, net	15,101,378	12,982,774	2,118,604	16.3%
Other assets	167,360	167,007	353	0.2%
Total assets	$ 44,851,532	$ 45,824,828	$ (973,296)	-2.1%
Liabilities				
Current liabilities	$ 4,426,714	$ 10,621,370	$ (6,194,656)	-58.3%
Long-term liabilities	8,117,159	7,256,904	860,255	11.9%
Total liabilities	12,543,873	17,878,274	(5,334,401)	-29.8%
Deferred inflows	590,173	483,119	107,054	22.2%
Total liabilities and deferred inflows	13,134,046	18,361,393	(5,227,347)	-28.5%
Net position				
Controlling interest net position				
Net investment in capital assets	6,609,634	6,005,487	604,147	10.1%
Restricted	337,920	337,617	303	0.1%
Unrestricted	24,769,932	21,120,331	3,649,601	17.3%
Total net position	31,717,486	27,463,435	4,254,051	15.5%
Total liabilities, deferred intflows, and net position	$ 44,851,532	$ 45,824,828	$ (973,296)	-2.1%

- Current assets decreased by $3,092,253 from 2022 to 2023. The decrease is due to payments being made for the 2022 cost report based on initial filing and the 2023 rate review payments. This decrease is offset in current liabilities where it was accrued as a third-party payable.

- Current liabilities decreased by $6,194,656 from 2022 to 2023. The decrease is primarily attributable to payment for the Medicare cost report for 2022 and 2023 rate review. In addition, there were changes in estimates related to the 2022 Medicare cost report based on updated information.

- Long-term liabilities increased $860,255 from 2022 to 2023. This was primarily due to adding the leased Radiology Fujifilm equipment.

MASSAC MEMORIAL HOSPITAL
AND AFFILIATED ORGANIZATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
MARCH 31, 2024 AND 2023

A summary of the Hospital's statements of operations and statements of changes in net position for the years ended March 31, 2024 and 2023 is presented below:

	2024	2023 As restated	$ Change	% Change
Operating revenues				
Net patient service revenue	$ 30,646,561	$ 29,759,384	$ 887,177	3.0%
Other revenue	1,923,770	1,086,878	836,892	77.0%
Total operating revenues	32,570,331	30,846,262	1,724,069	5.6%
Operating expenses				
Salaries and benefits	21,626,866	17,757,089	3,869,777	21.8%
Supplies and drugs	2,624,882	2,363,209	261,673	11.1%
Depreciation and amortization	2,183,275	2,054,911	128,364	6.2%
Other operating expenses	7,337,410	6,956,046	381,364	5.5%
Total operating expenses	33,772,433	29,131,255	4,641,178	15.9%
Income (loss) from operations	(1,202,102)	1,715,007	(2,917,109)	-170.1%
Nonoperating revenues	1,485,907	2,539,044	(1,053,137)	-41.5%
Change in net position	$ 283,805	$ 4,254,051	$ (3,970,246)	-93.3%

A summary of the Hospital's statements of operations and statements of changes in net position for the years ended March 31, 2023 and 2022 is presented below:

	2023 As restated	2022	$ Change	% Change
Operating revenues				
Net patient service revenue	$ 29,759,384	$ 25,362,079	$ 4,397,305	17.3%
Other revenue	1,086,878	962,146	124,732	13.0%
Total operating revenues	30,846,262	26,324,225	4,522,037	17.2%
Operating expenses				
Salaries and benefits	17,757,089	16,450,475	1,306,614	7.9%
Supplies and drugs	2,363,209	2,261,128	102,081	4.5%
Depreciation and amortization	2,054,911	1,794,608	260,303	14.5%
Other operating expenses	6,956,046	6,998,539	(42,493)	-0.6%
Total operating expenses	29,131,255	27,504,750	1,626,505	5.9%
Income (loss) from operations	1,715,007	(1,180,525)	2,895,532	245.3%
Nonoperating revenues	2,539,044	2,463,197	75,847	3.1%
Change in net position	$ 4,254,051	$ 1,282,672	$ 2,971,379	231.7%

FINANCIAL ANALYSIS – CASH FLOWS

The Hospital's cash flows decreased $1,829,950 during 2024. The decrease in cash was primarily due to a year in which investments were made to grow the organizations into the future, knowing that expenses would be greater than the revenue for the initial time period. These investments being our emergency room physician group, inpatient hospitalists group, and a continued investment in our employees. The Hospital's cash flows decreased $2,833,124 during 2023. The decrease in cash was primarily due to making payments for the 2022 cost report and 2023 rate review.

SOURCES OF REVENUE

The Hospital derives the majority of its revenue from charges for patient care and related services. The Hospital's revenues depend upon inpatient occupancy levels, related ancillary services, and outpatient procedures as ordered by physicians. The Hospital's gross charges typically do not reflect what is actually paid. The Hospital is reimbursed for services from a variety of sources including the Medicare and Medicaid programs, insurance carriers, managed care plans, and patients. The Hospital has established payment arrangements with Medicare, Medicaid, and various commercial insurance carriers. Services provided under those arrangements are paid at predetermined rates and/or reimbursable cost as defined. Provisions have been made in the financial statements for contractual adjustments representing the difference between the standard charges for services and the actual or estimated payment.

The Hospital receives a significant portion of its revenues from government health programs, principally Medicare and Medicaid, which are highly regulated and subject to frequent and substantial changes. In 2024, inpatient revenues from the Medicare and Medicaid programs were 94.5% of total gross inpatient revenues, up from 92.3% in 2023. Outpatient revenues from the Medicare and Medicaid programs increased from 77.6% of total gross outpatient revenues in 2023 to 78.9% during 2024.

In 2023, inpatient revenues from the Medicare and Medicaid programs were 92.3% of total gross inpatient revenues, down from 93.0% in 2022. Outpatient revenues from the Medicare and Medicaid programs increased from 74.5% of total gross outpatient revenues in 2022 to 77.6% during 2023.

The table below presents the percentages of gross revenues for patient services, by payor, for the years ended March 31, 2024, 2023, and 2022:

	2024		
	Inpatient	**Outpatient**	**Combined**
Medicare	86.1 %	47.7 %	50.1 %
Medicaid	8.4	31.2	29.7
Blue Cross	1.1	9.3	8.8
Other third-party payors	4.1	8.6	8.3
Self pay	0.3	3.2	3.1
Total	100.0 %	100.0 %	100.0 %

	2023		
	Inpatient	**Outpatient**	**Combined**
Medicare	85.9 %	43.4 %	47.7 %
Medicaid	6.4	34.2	31.4
Blue Cross	4.4	9.6	9.0
Other third-party payors	2.9	10.0	9.3
Self pay	0.4	2.8	2.6
Total	100.0 %	100.0 %	100.0 %

	2022		
	Inpatient	**Outpatient**	**Combined**
Medicare	84.7 %	44.5 %	49.2 %
Medicaid	8.3	30.0	27.5
Blue Cross	3.4	11.7	10.7
Other third-party payors	3.1	11.1	10.2
Self pay	0.5	2.7	2.4
Total	100.0 %	100.0 %	100.0 %

OPERATING AND FINANCIAL PERFORMANCE

The Hospital's overall operating performance decreased in 2024 when compared to 2023, with income (loss) from operations decreasing by $2,917,109, from income from operations of $1,715,007 in 2023 to a loss from operations of $1,202,102 in 2024. In addition, the change in net position in 2024 was $283,805 compared with $4,254,051 in 2023.

The Hospital's overall operating performance increased in 2023 when compared to 2022, with income (loss) from operations increasing by $2,895,532, from a loss from operations of $1,180,525 in 2022 to income from operations of $1,715,007 in 2023. In addition, the change in net position in 2023 was $4,254,051 compared with $1,282,672 in 2022.

A discussion of the highlights of 2024 operations and changes in activity is presented below:

Revenues

The Hospital's net patient service revenue increased by $887,177 in 2024. Highlights of this change are as follows:

- Price increases were put into effect April 1, 2023. These in turn allow an increase in net patient service revenue on those payers that pay based on a percent of charge.

- Increases in the following outpatient statistics also led to an increase in net patient service revenue: clinic visits, lab tests, therapies, outpatient infusions, and wound care.

Expenses

Total operating expenses increased by $4,641,178 in 2024. Highlights of this change are as follows:

- Salaries and wages increased $2,203,506 in 2024, or 18.15%. This was primarily due to a continued effort to make sure we stay competitive with market salaries in order to find and retain staff. A few new positions were also hired throughout the year as services grew.

- Employee benefits and payroll taxes increased $1,666,271 in 2024, or 29.66%. The employee benefits increase was primarily due to health insurance claims being greater than anticipated for the employees. We had many participants on the plan hitting stop loss limits.

- Drugs and medical supplies increased $260,315, or 14.71%. The increase was primarily due to an increase in lab supplies and pharmacy drugs. Increases in lab volume, as well as, rate increases in most every supply costs, especially drugs caused an increase in overall supply expenses.

- Purchased services increased $591,531, or 18.20%. The increase was due to an increase in emergency room physician costs as the hospital invested in a new emergency room physician group. We also began a hospitalists program, which required an increase in purchased services expense due to having Integritas managing those providers and services.

A discussion of the highlights of 2023 operations and changes in activity is presented below:

<u>Revenues</u>

The Hospital's net patient service revenue increased by $4,397,305 in 2023. Highlights of this change are as follows:

- Price increases were put into effect April 1, 2023. These in turn allow an increase in net patient service revenue on those payers that pay based on a percent of charge.

- Increases in the following outpatient statistics also led to an increase in net patient service revenue: emergency department visits, rural health clinic visits, therapy procedures, and New Beginnings program revenues.

- Other operating revenues increased $124,732 in 2023. The increase was primarily due to the increase in employees' prescriptions being filled through the Hospital pharmacy department during 2023. We have been encouraging our staff to use the convenience of our pharmacy to handle their prescriptions.

<u>Expenses</u>

Total operating expenses increased by $1,626,505 in 2023. Highlights of this change are as follows:

- Salaries and wages increased $988,044 in 2023, or 8.9%. This was primarily due to the constant market adjustments being made in order to keep Hospital wages competitive. Also, the Hospital met the state's new minimum wage requirement two years early.

- Employee benefits and payroll taxes increased $318,570 in 2023, or 6.0%. The increase was primarily due to as salary increases the payroll taxes and retirement payments also increased.

- Professional medical fees decreased $220,840, or 10.83%. The decrease was primarily due to less lab tests being outsourced.

- Insurance costs increased $118,930, or 48.40%. The increase was primarily due to higher premiums and less of an annual dividend being received.

Capital Assets

A summary of the Hospital's capital assets for the years ended March 31, 2024 and 2023 is presented below:

	2024	2023 As restated	$Change	%Change
Land and land improvements	$ 1,398,642	$ 1,382,458	$ 16,184	1.2%
Buildings and improvements	22,357,176	22,330,254	26,922	0.1%
Equipment	11,582,416	11,369,011	213,405	1.9%
Intangible right-to-use assets	2,951,640	2,517,129	434,511	17.3%
Construction in progress	3,944	43,804	(39,860)	-91.0%
	38,293,818	37,642,656	651,162	1.7%
Less accumulated depreciation and amortization	24,390,017	22,541,278	1,848,739	8.2%
Capital assets, net	$ 13,903,801	$ 15,101,378	$ (1,197,577)	-7.9%

- During 2024, the Hospital made the following significant capital acquisitions and improvements:
  - The largest change in capital was due to multiple new copier leases in the current year, as well as the lease of a new scope for medical procedures.
  - The Hospital invested in a new emergency room base radio, as well as, emergency medical service radios. These upgrades allow emergency teams to have up-to-date technology to assure reliance on communication during emergencies.
  - In order to stay current with technology, the Hospital annually invests in computer bulk-buys so that our staff will always have reliable technology. This becomes even more important as technology constantly continues to change.

A summary of the Hospital's capital assets for the years ended March 31, 2023 and 2022 is presented below:

	2023 As restated	2022	$Change	%Change
Land and land improvements	$ 1,382,458	$ 1,350,462	$ 31,996	2.4%
Buildings and improvements	22,330,254	21,809,660	520,594	2.4%
Equipment	11,369,011	10,734,326	634,685	5.9%
Intangible right-to-use assets	2,517,129	653,157	1,863,972	285.4%
Construction in progress	43,804	43,804	-0-	0.0%
	37,642,656	34,591,409	3,051,247	8.8%
Less accumulated depreciation and amortization	22,541,278	21,608,635	932,643	4.3%
Capital assets, net	$ 15,101,378	$ 12,982,774	$ 2,118,604	16.3%

- During 2023, the Hospital made the following significant capital acquisitions and improvements:
  - The Hospital made the investment this fiscal year to replace its current equipment with a new Fuji suite lease of radiology equipment. The suite includes a portable x-ray system, DR detectors, an x-ray room, a radiography fluoroscopy system, a CT scanner, and an open MRI system.
  - The Hospital added an ambulance and new ambulance cots to its assets as its current ones are aging out.
  - The Hospital's rural health clinic added a mobile unit in order to service 3 communities.
  - The Hospital had a new roof put on in 2023 above its surgery department and the area considered penthouse.
  - The Hospital was able to utilize CARES Act funds to upgrade its telemetry system.

Long-Term Debt and Intangible Right-of-Use Lease Liabilities

At March 31, 2024, the Hospital had long-term debt (including current portion) of $7,951,362, an decrease of $540,382, compared to $8,491,744 at March 31, 2023. This is comprised mainly of outstanding revenue bonds as well as various right-to-use lease liabilities.

At March 31, 2023, the Hospital had long-term debt (including current portion) of $8,491,744, an increase of $1,514,457, compared to $6,977,287 at March 31, 2022. This is comprised mainly of outstanding revenue bonds as well as various right-to-use lease liabilities.

FUTURE OUTLOOK AND 2025 BUDGET

The Hospital's Board and management considered many factors when establishing the 2025 budget, including the status of the economy and other market factors such as:

- Hospital industry operating margins will continue to be under significant pressure due to changes in payor mix away from commercial and towards government payers.

- Continued increases in operating expenses in excess of payment increases, specifically from the Medicare and Medicaid programs.

The ongoing challenge facing the Hospital is to continue providing high quality patient care, and maintaining reasonable rates for the services it provides, while at the same time managing the growing costs of providing these services. The most significant cost factor affecting the Hospital, and the healthcare industry in general, is the increase in labor costs. Part of management's challenge in controlling these costs is to look for opportunities to increase staff productivity and efficiency, while at the same time enhancing patient care. The Hospital expects to increase prices again in 2025.

As part of the annual planning process, Hospital goals and objectives are established as areas of focus for the upcoming year. For fiscal year 2025 some of these areas include:

- Growing service lines are an important initiative for revenue at the hospital. In the 2025 fiscal year a pain management service line is being added. This will impact positively on our clinics, our surgery department, and also other ancillary areas. Pain management is also a greatly needed service line for our community.

- The Hospital continues to put great emphasis on marketing our service lines. In order to continue to grow we must communicate our services to the community and surrounding providers. This is being performed by our physician liaison/marketing manager, as well as, department leaders.

- The swing bed program continues to be an initiative for growing our 2025 revenue. This is a combined effort between the Hospital and Integritas' hospitalists team.

- The Hospital has implemented a system in which we are now able to share images from our radiology department with providers electronically. Communicating this information to providers and patients is a focus for 2025 in order to continue growth in the radiology area.

CONTACTING THE HOSPITAL

This report is designed to provide local citizens, customers, and creditors with a general overview of the Hospital's finances. These financial statements include the activities of Massac Memorial Hospital, and its affiliated organization, Massac Memorial Hospital Foundation. If you have questions about this report or need additional information, contact Lynn Goines, Chief Financial Officer, at (618) 524-2176 ext 2296.

MASSAC MEMORIAL HOSPITAL
AND AFFILIATED ORGANIZATION

STATEMENTS OF NET POSITION
MARCH 31, 2024 AND 2023

ASSETS

	2024	2023 As restated
Current assets		
Cash and cash equivalents	$ 24,411,074	$ 26,240,987
Investments	75,869	-0-
Patient accounts receivable, net of estimated uncollectibles of $1,894,503 in 2024 and $1,684,018 in 2023	2,838,030	1,964,190
Inventories	303,080	273,725
Prepaid expenses and other current assets	630,177	765,972
Estimated third-party payor settlements	793,471	-0-
Assets whose use is limited, current portion	337,530	337,920
Total current assets	29,389,231	29,582,794
Assets whose use is limited, net of current portion	142,713	142,360
Capital assets, net	13,903,801	15,101,378
Other assets	25,000	25,000
Total assets	$ 43,460,745	$ 44,851,532

See accompanying notes to financial statements.

MASSAC MEMORIAL HOSPITAL
AND AFFILIATED ORGANIZATION

STATEMENTS OF NET POSITION
MARCH 31, 2024 AND 2023

LIABILITIES AND NET POSITION

	2024	2023 As restated
Current liabilities		
Accounts payable	$ 961,751	$ 420,966
Accrued personnel costs	1,808,927	1,441,216
Accrued expenses	84,463	108,794
Refundable advances, current portion	-0-	1,085,637
Estimated third-party payor settlements	-0-	415,056
Current portion of intangible right-of-use lease and subscription-based information technology agreements	494,040	330,045
Current portion of long-term debt	645,000	625,000
Total current liabilities	3,994,181	4,426,714
Long-term liabilities		
Refundable advances, net of current portion	580,460	580,460
Intangible right-of-use lease and subscription-based information technology agreements, net of current portion	1,752,322	1,831,699
Long-term debt, net of current portion	5,060,000	5,705,000
Total long-term liabilities	7,392,782	8,117,159
Total liabilities	11,386,963	12,543,873
Deferred inflows	72,491	590,173
Total liabilities and deferred inflows	11,459,454	13,134,046
Net position		
Net investment in capital assets	5,952,439	6,609,634
Restricted for debt service	337,530	337,920
Unrestricted	25,711,322	24,769,932
Total net position	32,001,291	31,717,486
Total liabilities, deferred inflows, and net position	$ 43,460,745	$ 44,851,532

See accompanying notes to financial statements.

MASSAC MEMORIAL HOSPITAL
AND AFFILIATED ORGANIZATION

STATEMENTS OF OPERATIONS AND CHANGES IN NET POSITION
YEARS ENDED MARCH 31, 2024 AND 2023

	2024	2023 As restated
Operating revenues		
Net patient service revenue	$ 30,646,561	$ 29,759,384
Pharmacy 340B revenue, net	784,996	357,270
Other operating revenue	1,138,774	729,608
Total operating revenues	32,570,331	30,846,262
Operating expenses		
Salaries and wages	14,341,797	12,138,291
Employee benefits and payroll taxes	7,285,069	5,618,798
Professional medical fees	1,755,004	1,817,993
Drugs and medical supplies	2,029,980	1,769,665
Other supplies	594,902	593,544
Purchased services	3,842,030	3,250,499
Utilities	578,947	647,454
Insurance	432,744	364,640
Repairs and maintenance	368,420	424,313
Depreciation and amortization	2,183,275	2,054,911
Other operating expenses	360,265	451,147
Total operating expenses	33,772,433	29,131,255
Income (loss) from operations	(1,202,102)	1,715,007
Nonoperating revenues (expenses)	1,485,907	2,539,044
Change in net position	283,805	4,254,051
Net position, beginning of year	31,717,486	27,463,435
Net position, end of year	$ 32,001,291	$ 31,717,486

See accompanying notes to financial statements.

MASSAC MEMORIAL HOSPITAL
AND AFFILIATED ORGANIZATION

STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2024 AND 2023

	2024	2023 As restated
Operating activities		
Cash received for patient services	$ 28,564,194	$ 25,971,067
Cash paid to/for employees	(21,776,837)	(18,025,224)
Cash paid to vendors and suppliers	(9,370,973)	(9,580,569)
Other receipts, net	1,923,770	1,086,878
Net cash flows from operating activities	(659,846)	(547,848)
Noncapital financing activities		
Change in refundable advances	(1,085,637)	(2,165,262)
Grant revenue	47,028	1,213,194
Net cash flows from noncapital financing activities	(1,038,609)	(952,068)
Capital and related financing activities		
Principal payments on intangible right-to-use lease liabilities and subscription-based information technology arrangements	(453,434)	(264,515)
Principal payments on long-term debt	(625,000)	(610,000)
Interest paid for long-term debt	(289,520)	(278,427)
Purchases of capital assets	(416,071)	(1,795,312)
Proceeds from sale of capital assets	2,000	9,600
(Gain) loss on disposal of capital assets	(2,000)	1,169
Ad valorem tax	296,315	340,361
Net cash flows from capital and related financing activities	(1,487,710)	(2,597,124)
Investing activities		
Investment income	1,285,429	1,228,861
Other nonoperating revenues	146,655	35,055
Change in investments	(75,869)	-0-
Net cash flows from investing activities	1,356,215	1,263,916
Net change in cash and cash equivalents	(1,829,950)	(2,833,124)
Cash and cash equivalents, beginning of year	26,721,267	29,554,391
Cash and cash equivalents, end of year	$ 24,891,317	$ 26,721,267
Reconciliation of cash and cash equivalents to the statements of net position		
Cash and cash equivalents in current assets	$ 24,411,074	$ 26,240,987
Cash and cash equivalents in assets whose use is limited	480,243	480,280
Total cash and cash equivalents	$ 24,891,317	$ 26,721,267

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2024 AND 2023

	2024	2023 As restated
Reconciliation of income from operations to net cash flows from operating activities		
Income (loss) from operations	$ (1,202,102)	$ 1,715,007
Adjustments to reconcile income (loss) from operations to net cash flows from operating activities		
Depreciation and amortization	2,183,275	2,054,911
Provision for bad debts	2,227,358	1,265,886
Changes in operating assets and liabilities		
Patient accounts receivable	(3,101,198)	(820,376)
Inventories	(29,355)	36,084
Prepaid expenses and other current assets	135,795	(222,818)
Accounts payable	509,210	(61,876)
Accrued personnel costs	367,711	(375,189)
Accrued expenses	(24,331)	(12,704)
Estimated third-party payor settlements	(1,208,527)	(4,233,827)
Deferred inflows	(517,682)	107,054
Net cash flows from operating activities	$ (659,846)	$ (547,848)
Supplemental disclosures of noncash operating and capital and related financing activities		
Property and equipment acquired included in accounts payable	$ 31,575	$ -0-
Property and equipment acquired under intangible right-of-use lease liabilities and software-based information technology agreements	$ 538,052	$ 2,124,788

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Massac County Hospital District d/b/a Massac Memorial Hospital ("MMH") is 25-bed acute care facility based in Metropolis, Illinois. MMH is a component unit of Massac County, Illinois. MMH's primary source of revenues are from providing inpatient, outpatient, and emergency care services to patients in the region.

Massac Memorial Hospital Foundation (the "Foundation") is a not-for-profit corporation organized exclusively to provide financial support to MMH to provide medical care to its patients, and the community.

The significant accounting policies followed by MMH and the Foundation (collectively, the "Hospital") in the preparation of the financial statements are summarized below:

Reporting Entity

The accompanying financial statements include the accounts of MMH and the Foundation. MMH's board of directors is appointed by the Massac County Board of Commissioners. Therefore, a financial benefit/burden relationship exists between MMH and the Massac County government. For these reasons, the Hospital is considered a component unit of Massac County. Similarly, the Foundation is considered a blended component unit of the Hospital. All material intercompany transactions and balances have been eliminated.

Financial Statement Presentation

The Governmental Accounting Standards Board ("GASB") is the independent, private-sector organization that establishes accounting and financial reporting standards for U.S. state and local governments that follow accounting principles generally accepted in the United States of America ("GAAP"). The Hospital follows GASB accounting and financial reporting standards in the preparation of their financial statements.

Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Management's Estimates

Management uses estimates and assumptions in preparing the financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, if any, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Risk Management

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

Cash and Cash Equivalents

Cash and cash equivalents include petty cash and other cash on hand, checking accounts, and savings accounts that are readily available for use and other investments in highly liquid assets with original maturity dates of 90 days or less excluding amounts reported in assets whose use is limited.

Patient Accounts Receivable and Net Patient Service Revenue

The Hospital recognizes net patient service revenues on the accrual basis of accounting in the reporting period in which services are performed based on the current gross charge structure, less actual adjustments and estimated discounts for contractual allowances, principally for patients covered by Medicare, Medicaid, managed care, and other health plans. Gross patient service revenue is recorded in the accounting records using the established rates for the types of service provided to the patient. The Hospital recognizes an estimated contractual allowance to reduce gross patient charges to the estimated net realizable amount for service rendered based upon previously agreed-to rates with a payor. The Hospital utilizes the patient accounting system to calculate contractual allowances on a payor-by-payor basis based on the rates in effect for each primary third-party payor. Another factor that is considered and could further influence the level of the contractual reserve includes the status of accounts receivable balances as inpatient or outpatient. The Hospital's management continually reviews the contractual estimation process to consider and incorporate updated laws and regulations and the frequent changes in managed care contractual terms that result from contract negotiations and renewals.

Payors include federal and state agencies, including Medicare and Medicaid, managed care health plans, commercial insurance companies, and patients. These third-party payors provide payments to the Hospital at amounts different from its established rates based on negotiated reimbursement agreements. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and fee schedule payments. Retroactive adjustments under reimbursement agreements with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Allowance for Doubtful Accounts

Accounts receivable are reduced by an allowance for doubtful accounts based on the Hospital's evaluation of its major payor sources of revenue, the aging of the accounts, historical losses, current economic conditions, and other factors unique to the service area and the healthcare industry. Management regularly reviews data about the major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts.

For receivables associated with services provided to patients who have third-party payor coverage, the Hospital analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulty that make the realization of amounts due unlikely). For receivables associated with self-pay payments, 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 doubtful accounts. The March 31, 2024 and 2023 allowance for doubtful accounts balances were comprised of the following:

	2024	2023
Reserve for third-party payor balances	$ 838,863	$ 592,703
Reserve for self-pay balances	1,055,640	1,091,315
Total allowance for doubtful accounts	$ 1,894,503	$ 1,684,018

Inventories

Inventories consist of medical supplies, pharmaceuticals, and office supplies and are stated at the lower of cost or net realizable value. Cost is determined on the first-in, first-out ("FIFO") method.

Investments and Assets Whose Use Is Limited

Assets whose use is limited are required for obligations classified as current liabilities are reported in current assets. Assets whose use is limited are comprised of cash and cash equivalents. Cash and cash equivalents are stated at cost, which approximates fair value and are registered in the Hospital's name. Assets whose use is limited include assets required to be set aside under a debt agreement to fund debt service obligations due within the year, and assets internally board-designated.

Investments are comprised of certificates of deposit. Certificates of deposit are stated at cost, which approximates fair value and are registered in the Hospital's name. Investment income, including interest, and dividends, is included in nonoperating revenues when earned.

Capital Assets

The Hospital's capital assets are reported at historical cost and include expenditures for additions and repairs which substantially increase the useful lives of capital assets. Maintenance, repairs, and minor improvements are expensed as incurred. Contributed capital assets are reported at their estimated fair value at the time of their donation. All capital assets other than land and construction in progress are depreciated using the straight-line method of depreciation over their estimated useful lives based upon the American Hospital Association Guide for Estimated Useful Lives for Fixed Assets.

Cost of Borrowing

Interest costs incurred on borrowed funds during the period of construction of capital assets, if any, are expensed in the period in which they were incurred.

Classification of Net Position

The net position of the Hospital is classified into three components. (1) *Net investment in capital assets* consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. (2) *Restricted expendable net position*, if any, is noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital, including amounts deposited with trustees as required by revenue bond indentures, if applicable. (3) *Unrestricted net position* is the remaining net position that does not meet the definition of *net invested in capital assets* or *restricted*. When both restricted and unrestricted resources are available for use, the Hospital's policy is to use restricted resources first, then unrestricted resources as they are needed.

Statements of Operations and Changes in Net Position

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are reported as revenues and expenses. Peripheral and incidental transactions are reported as nonoperating revenues (expenses). Nonoperating revenues (expenses) which are excluded from income from operations include investment income, interest expense, and contribution income.

Advertising Costs

Advertising costs are charged to operations when incurred. Advertising costs charged to operations were $21,142 and $27,980 for the years ended March 31, 2024 and 2023, respectively.

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. Amounts determined to qualify as charity care are reported as reductions of gross patient service revenue.

Income Taxes

MMH and the Foundation have been granted exemption from taxation as a not-for-profit organization under Section 115 of the Internal Revenue Code ("IRC"), which excludes income derived from the exercise of any essential government function and accruing to a state or any political subdivision thereof, from gross income. The Foundation is a not-for-profit organization as described in Section 501(c)(3) of the IRC. Therefore, no provision for federal income taxes has been provided in the statements of operations and changes in net position. However, the Foundation is required to file a Federal Form 990 – Return of Organization Exempt from Income Tax, which is an informational return only.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability if the Hospital has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken, and has concluded that as of March 31, 2024 and 2023, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. The Hospital is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Grants and Contributions

From time to time, the Hospital receives grants as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are 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 that are restricted to a specific operating purpose are reported as nonoperating revenues.

Reclassifications

Certain reclassifications have been made to the 2023 financial statements to correspond to the current year presentation. Total net position and change in net position are unchanged due to these reclassifications.

Subsequent Events

The Hospital has evaluated events or transactions occurring subsequent to the date of the financial statements for recognition and disclosure in the accompanying financial statements through the date the financial statements were available to be issued, which is September 26, 2024.

2. CHANGE IN ACCOUNTING PRINCIPLE

On April 1, 2023, the Hospital adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* ("SBITA"). This statement requires SBITA's with a term greater than 12 months are capitalized, resulting in right-to-use subscription asset and a corresponding subscription liability. Previously, such arrangements were classified as outflows of resources, and were not recorded on the statement of net position. The following tables outline the proper period adjustments necessary to adopt this standard:

	As Previously Stated March 31, 2023	Adjustment	As restated March 31, 2023
Statements of net position			
Capital assets, net	$ 14,892,389	$ 208,989	$ 15,101,378
Current portion of intangible right-to-use lease liabilities	(277,529)	277,529	-0-
Intangible right-to-use lease liabilities, net of current portion	(1,670,920)	1,670,920	-0-
Total net position	(31,721,792)	4,306	(31,717,486)
Current portion of intangible right-of-use lease and subscription-based information technology agreements	-0-	(330,045)	(330,045)
Intangible right-of-use lease and subscription-based information technology agreements, net of current portion	-0-	(1,831,699)	(1,831,699)
	$ (18,777,852)	$ -0-	$ (18,777,852)

	As Previously Stated March 31, 2023	Adjustment	As restated March 31, 2023
Statement of operations and changes in net position			
Depreciation and amortization	$ 1,999,716	$ 55,195	$ 2,054,911
Purchased services	3,319,681	(69,182)	3,250,499
Interest expense	253,028	18,293	271,321
	$ 5,572,425	$ 4,306	$ 5,576,731

	As Previously Stated March 31, 2023	Adjustment	As restated March 31, 2023
Statement of cash flows			
Operating activities (direct method)			
Cash paid to vendors and suppliers	$ (9,649,751)	$ 69,182	$ (9,580,569)
Operating activities (indirect method)			
Income from operations	1,701,020	13,987	1,715,007
Depreciation	1,999,716	55,195	2,054,911
Capital and related financing activities			
Principal payments on intangible right-to-use lease liabilities	(213,626)	213,626	-0-
Principal payments on intangible right-to-use lease liabilities and subscription-based information technology agreements	-0-	(264,515)	(264,515)
Interest paid for long-term debt	(260,134)	(18,293)	(278,427)

3. BANK DEPOSITS

Deposits and investments are comprised of the following at March 31, 2024 and 2023:

		2024		2023
Carrying amount				
Cash and cash equivalents	$	24,891,317	$	26,721,267
Certificates of deposit		75,869		-0-
Total	$	24,967,186	$	26,721,267

		2024		2023
Included in the statement of net position captions:				
Cash and cash equivalents	$	24,411,074	$	26,240,987
Investments		75,869		-0-
Assets whose use is limited		480,243		480,280
Total	$	24,967,186	$	26,721,267

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Hospital's deposits may not be returned to it. The Hospital does not have a deposit policy for custodial credit risk. Deposits with financial institutions are insured by the Federal Depository Insurance Corporation ("FDIC") up to FDIC limits. This includes any deposit accounts issued or offered by a qualifying financial institution.

As of March 31, 2024 and 2023, the Hospital's bank balances were exposed to custodial credit risk as follows:

		2024		2023
Cash and cash equivalents	$	25,140,054	$	27,485,548
Less: FDIC coverage (insured amounts)		250,000		250,000
Less: Collateralized with pledged securities held in the Hospital's name		24,888,102		27,233,512
Total uninsured and uncollateralized		1,952		2,036
Less: Petty cash		1,952		2,036
	$	-0-	$	-0-

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 policy is in compliance with state statutes on the investment of public monies, and authorizes the Chief Financial Officer to invest according to the schedule below. The schedule below also represents the Hospital's investment policy, which addresses interest rate risk.

Authorized Investment Type	Maximum Maturity	Permitted Range of Portfolio	Maximum Investment In One Issuer	Maximum Investment Amount	Minimum Investment Amount
U.S. Teasury obligations	397 days	None	None	None	None
Certificates of deposit	397 days	None	None	None	None
State of Illinois Pulic Treasurers' Investment Pool	397 days	None	None	None	None

Credit Risk – Investments

Credit risk is the risk that, in the event of a failure of a financial institution, the Hospital would not be able to recover deposits, the value of its investments, or collateral securities that are in the possession of an outside party. Certificates of deposits are monitored to ensure that no more than $250,000 may be invested with any bank or financial institution and are Federally Insured to $250,000. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Concentration of Credit Risk

The Hospital's investment policy is to diversify investments so as to provide a balance that will enhance total return, while avoiding undue risk of concentration in any single asset class or investment category. This is achieved by diversifying the Hospital's investment portfolio between market capitalization, market sectors, geographical regions, and investment styles.

4. PATIENT ACCOUNTS RECEIVABLE

Patient accounts receivable reported as current assets at March 31, 2024 and 2023, consist of the following:

	2024	2023
Medicare	$ 2,523,725	$ 2,272,193
Medicaid	1,751,768	1,340,096
Blue Cross	345,147	220,862
Other third-party payors	1,092,511	909,698
Self pay	1,374,775	1,244,450
Total patient accounts receivable	7,087,926	5,987,299
Less allowance for contractual discounts	2,355,393	2,339,091
Less allowance for uncollectible amounts	1,894,503	1,684,018
Patient accounts receivable, net	$ 2,838,030	$ 1,964,190

5. CAPITAL ASSETS

Capital asset activity for the years ended March 31, 2024 and 2023, was as follows:

	2024			
	Beginning Balance	Additions	Retirements/ Transfers	Ending Balance
Non-depreciable capital assets				
Land	$ 237,159	$ -0-	$ -0-	$ 237,159
Construction in progress	43,804	3,944	(43,804)	3,944
Total non-depreciable capital assets	280,963	3,944	(43,804)	241,103
Depreciable capital assets				
Land improvements	1,145,299	16,184	-0-	1,161,483
Buildings and leasehold improvements	22,330,254	26,922	-0-	22,357,176
Furniture and equipment	11,369,011	400,596	(187,191)	11,582,416
Total depreciable capital assets	34,844,564	443,702	(187,191)	35,101,075
Less accumulated depreciation for				
Land improvements	(1,065,671)	(34,820)	-0-	(1,100,491)
Buildings and leasehold improvements	(12,608,635)	(940,612)	-0-	(13,549,247)
Furniture and equipment	(8,498,270)	(732,386)	240,072	(8,990,584)
Total accumulated depreciation	(22,172,576)	(1,707,818)	240,072	(23,640,322)
Total depreciable capital assets, net	12,671,988	(1,264,116)	52,881	11,460,753

Intangible right-to-use assets				
Equipment	2,252,945	401,151	(103,541)	2,550,555
SBITA	264,184	136,901	-0-	401,085
Total intangible right-to-use assets	2,517,129	538,052	(103,541)	2,951,640
Less accumulated amortization for				
Equipment	(313,507)	(411,891)	94,464	(630,934)
SBITA	(55,195)	(63,566)	-0-	(118,761)
Total accumulated amortization	(368,702)	(475,457)	94,464	(749,695)
Total intangible right-to-use assets, net	2,148,427	62,595	(9,077)	2,201,945
Capital assets, net	$ 15,101,378	$ (1,197,577)	$ -0-	$ 13,903,801

	2023 - As restated			
	Beginning Balance	Additions	Retirements/ Transfers	Ending Balance
Non-depreciable capital assets				
Land	$ 237,159	$ -0-	$ -0-	$ 237,159
Construction in progress	43,804	-0-	-0-	43,804
Total non-depreciable capital assets	280,963	-0-	-0-	280,963
Depreciable capital assets				
Land improvements	1,113,303	31,996	-0-	1,145,299
Buildings and leasehold improvements	21,809,660	538,221	(17,627)	22,330,254
Furniture and equipment	10,734,326	1,225,095	(590,410)	11,369,011
Total depreciable capital assets	33,657,289	1,795,312	(608,037)	34,844,564
Less accumulated depreciation for				
Land improvements	(1,002,328)	(63,343)	-0-	(1,065,671)
Buildings and improvements	(11,642,596)	(980,729)	14,690	(12,608,635)
Furniture and equipment	(8,340,034)	(740,814)	582,578	(8,498,270)
Total accumulated depreciation	(20,984,958)	(1,784,886)	597,268	(22,172,576)
Total depreciable capital assets, net	12,672,331	10,426	(10,769)	12,671,988
Intangible right-to-use assets				
Equipment	653,157	2,124,788	(525,000)	2,252,945
SBITA	-0-	264,184	-0-	264,184
Total intangible right-to-use assets	653,157	2,388,972	(525,000)	2,517,129
Less accumulated amortization for				
Equipment	(623,677)	(214,830)	525,000	(313,507)
SBITA	-0-	(55,195)	-0-	(55,195)
Total accumulated amortization	(623,677)	(270,025)	525,000	(368,702)
Total intangible right-to-use assets, net	29,480	2,118,947	-0-	2,148,427
Capital assets, net	$ 12,982,774	$ 2,129,373	$ (10,769)	$ 15,101,378

Intangible right-to-use assets

In 2024, the Hospital implemented the guidance in GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, and recognized the value of various intangible assets classified under subscription-based information technology arrangements. Terms of the various arrangements are described in Note 11.

As of March 31, 2024, the Hospital had various lease agreements in place for medical equipment. The equipment is being amortized over the various lease terms, ranging from three years to seven years. Terms of the leases can be seen in note 11. As of March 31, 2024, the Hospital also had various intangible right-to-use assets acquired under SBITAs. The intangible assets are being amortized over the various SBITAs, ranging from three years to five years. Terms of the SBITAs can be seen in note 11.

6. OTHER ASSETS

Effective January 22, 2022, the Hospital purchased a membership interest in the Illinois Rural Community Care Organization, LLC ("IRCCO"). As part of the purchase, the Hospital paid $25,000 for their membership interest, which is less than 5%. The IRCCO is an accountable care organization whose purpose is to ensure the best quality care for their patients. The IRCCO was originally started in 2014 by the Illinois Critical Access Hospital Network ("ICAHN"). Due to a Medicare Advantage product and other payor options made available through the IRCCO, ICAHN passed ownership of the IRCCO to various investors in 2022. As an investor, the Hospital paid an annual assessment fee of $10,000 through December 31, 2022. Effective January 1, 2023, the assessment fee increased to $20,000 per year. The Hospital accounts for this investment using the cost method.

7. DEFERRED INFLOWS

Deferred inflows consist of the deficit balance of the Hospital's investment in the Massac County Surgery Center, LLC (the "Surgery Center"). In February, 2014, the Hospital entered into a joint venture with a third party for a 49.00% share of the Surgery Center. Subsequent to two contractual options exercised by the third party, the Hospital's share of the Surgery Center was reduced to 34.428% effective August 1, 2019. The Hospital accounts for this investment using the equity method. As part of the joint venture, the Hospital receives distributions of the Surgery Center's earnings and records them as part of investment income that is included in nonoperating revenues (expenses) on the statements of operations and changes in net position. For the years ended March 31, 2024 and 2023, the Hospital recognized investment income totaling $1,104,098 and $1,041,912, respectively.

As part of the joint venture, the Surgery Center holds a promissory note with a local bank, which the Hospital has guaranteed 34.428% of the outstanding balance, should the Surgery Center not be able to make required scheduled payments under the debt agreement. The amount guaranteed by the Hospital on the outstanding balance of the promissory note as of March 31, 2024 and 2023 was $1,915,008 and $2,043,004, respectively. The guarantee remains in effect until the promissory note has been paid in full.

8. COMPENSATED ABSENCES

The Hospital provides a paid time off ("PTO") policy to employees for vacation, holiday, and sick leave benefits. Expense and the related liability for PTO benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the vesting method. Extended illness benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned, but not yet realized.

The rate at which employees earn PTO depends upon credited length of service, and is as follows:

Length of Service	Earned per Year Full-time and Part-time
0 - 5 years	19 days
5 - 15 years	24 days
15 or more years	29 days

PTO days are accrued when incurred and reported as accrued personnel costs in the financial statements. The PTO accrual at March 31, 2024 and 2023, was $940,047 and $879,092, respectively.

9. DEFINED CONTRIBUTION PLANS

The Hospital offers its employees deferred compensation plans in accordance with Internal Revenue Code Sections 457(b) and 401(a). The 457(b) and 401(a) plans, available to all Hospital employees, permit them to defer a portion of their salary until future years. Employees are eligible to participate in the plans if they are 18 years old, and after completing 30 days of service. Participation begins on the first day coinciding with, or immediately following, fulfillment of both requirements for eligibility. The Hospital matches 100% of each eligible employee's contribution to the 401(a) plan, not to exceed 6% of compensation. The Hospital does not make any contributions to the 457(b) plan. For the years ended March 31, 2024 and 2023, the Hospital incurred expenses relating to these plans in the amount of $544,828 and $483,616, respectively.

10. EMPLOYEE HEALTH BENEFIT PLAN

The Hospital operates a self-funded health plan covering substantially all employees. The Hospital has a minimum aggregate point of attachment of approximately $1,996,000. Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amounts of pay out, and other economic and social factors. The accrued liability for claims liabilities is recorded in accrued personnel costs on the statements of net position.

Changes in the balance of claims liabilities during the years ended March 31, 2024 and 2023, were as follows:

	2024	2023
Accrued liability, beginning of year	$ 222,369	$ 245,542
Incurred claims, changes in estimates, and fees/premiums	3,741,514	2,886,128
Claim and other payments	(3,646,979)	(2,909,301)
Accrued liability, end of year	$ 316,904	$ 222,369

11. INTANGIBLE RIGHT-TO-USE LEASE LIABILITIES AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

In 2024, the Hospital implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, for accounting and reporting such subscription-based information technology arrangements that had previously been reported as outflows of resources on the statements of operations and changes in net position.

Equipment Leases

The Hospital leases a variety of surgical and lab equipment from various vendors for terms ranging from 60 to 72 months. The leases require monthly payments ranging from $455 to $11,150 expiring through September, 2029. The present value of the leased equipment was determined using discount rates ranging from 4.25% to 8.50% based on the incremental borrowing rate. The Hospital has no plans to renew any of the leases at the expiration of the current lease terms. The leased equipment and accumulated amortization of the right-to-use assets are outlined in Note 5.

Subscription-Based Information Technology Arrangements

The Hospital has various subscription-based information technology arrangements ("SBITA") with third-party vendors for use of software used by the finance department and cloud-based backup storage. The arrangements have terms of annual payments ranging from three to four years, as well as a monthly agreements with terms of 36 months, with expirations ranging from March, 2026 through December, 2028. The current annual payments range from $9,924 to $15,000, and monthly payments of $1,012 to $2,940. The present values of these agreements were determined using discount rates of 8.50% based on the incremental borrowing rate. The subscription-based intangible assets and accumulated amortization of the right-to-use assets are outlined in Note 5.

Remaining payments on these leases include:

	Equipment leases		
	Principal	Interest	Total
2025	$ 393,774	$ 84,736	$ 478,510
2026	409,472	64,937	474,409
2027	362,251	46,172	408,423
2028	369,312	29,838	399,150
2029	351,463	13,260	364,723
2030 - 2034	102,701	1,090	103,791
	$ 1,988,973	$ 240,033	$ 2,229,006

Remaining payments on SBITA include:

	Subscription-based information technology arrangements		
	Principal	Interest	Total
2025	$ 100,266	$ 20,860	$ 121,126
2026	109,129	11,996	121,125
2027	38,877	2,565	41,442
2028	9,117	806	9,923
	$ 257,389	$ 36,227	$ 293,616

Lease and SBITA activity for the years ended March 31, 2024 and 2023 was as follows:

	2024				
	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Equipment leases	$ 1,948,449	$ 401,150	$ (360,626)	$ 1,988,973	$ 393,774
SBITA	213,295	136,901	(92,807)	257,389	100,266
Total lease liabilities and SBITA	$ 2,161,744	$ 538,051	$ (453,433)	$ 2,246,362	$ 494,040

	2023 - As restated				
	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Equipment leases	$ 37,287	$ 2,124,788	$ (213,626)	$ 1,948,449	$ 277,529
SBITA	-0-	264,184	(50,889)	213,295	52,516
Total lease liabilities and SBITA	$ 37,287	$ 2,388,972	$ (264,515)	$ 2,161,744	$ 330,045

12. LONG-TERM DEBT

At March 31, 2024 and 2023, the Hospital was obligated for long-term debt agreements as follows:

	2024	2023
Privately held Series 2016 Revenue Bonds in the original amount of $9,730,000 dated November 2016. Payable in annual principal installments through November 2031 in amounts ranging from $520,000 to $785,000. The bonds are subject to optional redemption in whole, or in part, on any date on or after November 1, 2019 at par plus accrued interest to the redemption date. Fixed interest of 2.80% until November 1, 2025, at which point the rate changes to the 6-year U.S. Treasury Rate plus 1.60%, multiplied by 65%. Secured by net revenues of the Hospital and the ad valorem property taxes levied against all taxable property in the Hospital's district.	$ 5,705,000	$ 6,330,000
Less current portion	(645,000)	(625,000)
Long-term debt, net of current portion	$ 5,060,000	$ 5,705,000

Long-term debt activity for the years ended March 31, 2024 and 2023 was as follows:

	2024				
	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Revenue bonds, Series 2016	$ 6,330,000	$ -0-	$ (625,000)	$ 5,705,000	$ 645,000

	2023				
	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Revenue bonds, Series 2016	$ 6,940,000	$ -0-	$ (610,000)	$ 6,330,000	$ 625,000

Debt service requirements on long-term debt at March 31, 2024, are as follows:

Year Ending March 31,	Principal	Interest
2025	$ 645,000	$ 159,512
2026	665,000	141,478
2027	680,000	162,176
2028	700,000	137,084
2029	720,000	111,254
2030 - 2034	2,295,000	170,847
Total	$ 5,705,000	$ 882,351

The Series 2016 revenue bonds agreement requires that certain funds be established with the trustee for future debt service requirements. Accordingly, these funds are included as assets whose use is limited on the statements of net position. In addition, this agreement contains restrictive covenant requiring audited financial statements are submitted within six months after year-end, as well as a minimum debt service coverage ratio. The Hospital has obtained a waiver for the debt service coverage ratio covenant.

13. NET PATIENT SERVICE REVENUE

For the years ended March 31, 2024 and 2023, net patient service revenue was as follows:

	2024	2023
Gross patient service revenue		
Inpatient services	$ 3,158,162	$ 4,824,265
Outpatient services	47,533,905	44,044,362
Total gross patient service revenue	50,692,067	48,868,627
Deductions from revenue		
Contractual allowances	(17,769,197)	(17,835,027)
Provision for bad debts	(2,227,358)	(1,265,886)
Charity care	(48,951)	(8,330)
Total deductions from revenue	(20,045,506)	(19,109,243)
Total net patient service revenue	$ 30,646,561	$ 29,759,384

The Hospital grants credit without collateral to its patients, most of who are local residents and insured under third-party payor agreements. The mix of gross revenues and receivables from patients and third-party payors at March 31, 2024 and 2023 is as follows:

	2024		2023	
	Revenues	Receivables	Revenues	Receivables
Medicare	50 %	36 %	48 %	38 %
Medicaid	30	25	31	22
Blue Cross	9	5	9	4
Other third-party payors	8	15	9	15
Self Pay	3	19	3	21
	100 %	100 %	100 %	100 %

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

- ***Medicare***. The Hospital is designated as a Critical Access Hospital ("CAH"). This designation provides for most inpatient and outpatient services to be reimbursed on a cost basis methodology. The Hospital has clinics which are designated as rural health clinics, which are also reimbursed on a cost basis methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary.

- ***Medicaid***. Inpatient and substantially all outpatient services rendered to Medicaid program beneficiaries and reimbursed at prospectively determined rates. The State of Illinois previously enacted legislation that provides for a hospital assessment program intended to qualify for federal matching funds under the Illinois Medicaid program. The legislation provides that no additional Medicaid payments are to be paid until the program receives the required federal government approval through the Center for Medicare and Medicaid Services ("CMS").

  In addition, the State of Illinois passed legislation in State Fiscal Year 2012 that expanded the program by providing additional Hospital Access Improvement Payments to qualifying hospitals, also referred to as Enhanced Hospital Assessment. CMS approved the program on October 1, 2013, with a retroactive date of June 10, 2012.

  In 2014, CMS approved an additional supplemental payment to Illinois' hospitals for services provided to newly eligible Medicaid beneficiaries under the Affordable Care Act ("ACA"). The supplemental payment to hospitals was retroactive to March 1, 2014. The assessments were effective until June 30, 2018 to align with the transition periods of both rate reform and the ACA Medicaid expansion payments.

In fiscal year 2017, CMS extended the ACA Access Payments for adults in managed care organizations ("MCOs") to address the shift to MCOs for services provided to newly eligible Medicaid beneficiaries under the ACA. The supplemental payment to hospitals was retroactive to January 1, 2016. The assessments were effective until June 30, 2018 to align with transition periods of both rate reform and the ACA Medicaid expansion payments.

The effects of the programs in the statements of operations and changes in net position for the years ended March 31, 2024 and 2023 are as follows:

	2024	2023
Additional Medicaid payments included in net patient service revenue	$ 2,228,268	$ 2,107,133

These additional reimbursement programs represented approximately 7% of the Hospital's net patient service revenue for both of the years ended March 31, 2024 and 2023, respectively. The programs are subject to future modification through legislative action, specifically related to Medicaid reform initiatives that are ongoing with the State of Illinois. Given the impact of these programs on the Hospital's net patient service revenue, dependency on these programs is a significant concentration of revenue risk for the Hospital.

- ***Other.*** The Hospital has also entered into preferred provider agreements with certain commercial insurance carriers. The basis for payment to the Hospital under these agreements is a discount from established charges.

- ***Charity Care.*** The Hospital provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy. Because the Hospital does not collect amounts deemed to be charity care, they are not reported as revenue. The estimated costs of providing charity services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of costs to charges is calculated based on the Hospital's total operating expenses divided by gross patient service revenue. For the years ended March 31, 2024 and 2023, the Hospital incurred estimated costs of $32,612 and $4,968, respectively.

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigation and/or allegations concerning possible violations of fraud and abuse statutes and/or regulations by health care providers. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Final determination of compliance with such laws and regulations is subject to future government review and interpretation. Violations may result in significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

CMS has been granted authority to suspend payments, in whole or in part, to Medicare providers if CMS possess reliable information on overpayment, fraud or if willful misrepresentation exists. If CMS suspects payments are being made as the result of fraud or misrepresentation, CMS may suspend payment at any time without providing prior notice to the Hospital. The initial suspension period is limited to 180 days. However, the payment suspension period can be extended indefinitely is the matter is under investigation by the United States Department of Health and Human Services Office of Inspector General or the United States Department of Justice. Therefore, the Hospital is unable to predict if or when it may be subject to a suspension of payments by the Medicare and/or Medicaid programs, the possible length of the suspension period, or the potential cash flow impact of a payment suspension. Any such suspension would adversely impact the Hospital's financial position, results of operations, and cash flows. The Hospital believes that it is in compliance with all applicable laws and regulations.

14. NONOPERATING REVENUES (EXPENSES)

For the years ended March 31, 2024 and 2023, nonoperating revenues (expenses) were as follows:

	2024	2023 As restated
Provider relief fund revenue	$ -0-	$ 1,156,256
Grant revenue	47,028	56,938
Investment income	1,285,429	1,228,861
Interest expense	(282,238)	(271,321)
Ad valorem tax revenue	296,315	340,361
Contributions	166,756	95,086
Donations	(40,255)	(65,968)
Other	12,872	(1,169)
Total nonoperating revenues (expenses)	$ 1,485,907	$ 2,539,044

15. REFUNDABLE ADVANCES

During the Hospital's fiscal year 2022 and 2021, Provider Relief Fund grants authorized under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act were distributed to healthcare providers impacted by the outbreak of the COVID-19 pandemic under Assistance Listing Number ("ALN") #93.498. Revenues from Provider Relief Fund grants are recognized to the extent of patient revenues lost as a result of the pandemic and allowable expenses incurred, and are included in the statements of operations and changes in net position as grant revenue. Patient revenues lost represent the deficiency of net patient service revenues recognized over the period impacted by the pandemic when compared with net patient service revenues recognized over the same period in the previous year, taking into account allowable expenses. Provider Relief Fund grants included in refundable advances on the statements of net position represent grant funds received in excess of revenues recognized. These funds are subject to recoupment by the grantor in the event that the conditions for recognition are not met.

The passage of the CARES Act also authorized CMS to expand the Medicare Accelerated and Advance Payment Program to a broader group of Medicare Part A providers and Part B suppliers. As an eligible Inpatient Acute Care Hospital, the Hospital was eligible to request up to 100% of the Medicare payment amount for a six-month period. The Hospital was issued the accelerated/advance payment in April 2020. Recoupment of the advance payment began in August 2020 following a 120 day deferral period. During the 120 day period, Medicare claims submitted by the Hospital were reimbursed at standard rates, after which, the recoupment process began and payment for submitted claims reduced the balance of the accelerated or advance payment. Any outstanding balance that had not been recouped one year after the beginning of the recoupment period was due in full from the Hospital to CMS. The advance payment is included in refundable advances on the statements of net position.

As of and for the year ended March 31, 2024 and 2023, respectively, revenues recognized and refundable advances were as follows:

	March 31, 2024			
	Refundable Advances March 31, 2023	Payments Received	Recouped/ Refunded	Refundable Advances March 31, 2024
Provider Relief Fund	$ 1,666,097	$ -0-	$ (1,085,637)	$ 580,460

	March 31, 2023			
	Refundable Advances March 31, 2022	Payments Received	Recouped/ Refunded	Refundable Advances March 31, 2023
Provider Relief Fund	$ 2,158,811	$ -0-	$ (492,714)	$ 1,666,097
Small Rural Hospital Improvement Grant Program	256,978	-0-	(256,978)	-0-
Rural Health Clinic Testing and Mitigation Funding	300,000	-0-	(300,000)	-0-
Medicare Accelerated and Advance Payment Program	1,115,570	-0-	(1,115,570)	-0-
Other COVID-19 Funding	-0-	106,564	(106,564)	-0-
Total	$ 3,831,359	$ 106,564	$ (2,271,826)	$ 1,666,097

16. MALPRACTICE

The Hospital has joined together with other providers of health care services to form the Illinois Provider Trust and a risk pool self-insurance trust program organized under Illinois Statutes for the purpose of providing general and professional liability. The Hospital pays annual premiums to the pools for its general liability torts, medical malpractice, and employee injuries insurance coverage. The pools' governing agreements specify that the pools will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of specified stop-loss amounts.

The Hospital is insured against professional liability claims on a claims-made basis. Liabilities for incurred but not reported losses at March 31, 2024 and 2023, are not determinable; however, in management's opinion, such liabilities, if any, will not have a material effect on the Hospital's financial position and its malpractice and general liability insurance is adequate to cover losses, if any. Should the claims-made policies not be renewed or replaced with appropriate insurance coverage, claims based upon occurrences during these terms, but reported subsequently, will be uninsured. The Hospital intends to continue carrying such insurance.

17. CONCENTRATIONS OF CREDIT RISK

The Hospital maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. The Hospital has not experienced any losses on such accounts. The Hospital believes it is not exposed to any significant credit risk on cash.

18. COMMITMENTS AND CONTINGENCIES

<u>Commitments</u>

As of March 31, 2024, the Hospital has construction and renovation project commitments as follows:

Project	Expected Date of Completion	Estimated Total Cost of Project	As of March 31, 2024
Emergency room renovation	January 2025	$ 95,000	$ 3,944

<u>Contingencies</u>

<u>Legal Matters</u>

The Hospital is susceptible to a variety of legal proceedings and claims by others against the Hospital in a variety of matters arising out of the conduct of the Hospital's business. The ultimate resolution of such claims would not, in the opinion of management, have a material adverse effect on the financial statements.

HIPAA

Management continues to implement policies, procedures, and a compliance-monitoring organizational structure to enforce and monitor compliance with the Health Insurance Portability Accountability Act of 1996 ("HIPAA") and other government statutes and regulations. The Hospital's compliance with such laws and regulations is subject to future government review and interpretations, as well as regulatory actions which are unknown or unasserted at this time.

19. CONDENSED FINANCIAL INFORMATION

The Hospital includes one blended component unit in its reporting entity. Condensed component unit information for its blended component unit as of and for the year ended March 31, 2024 is as follows:

Statement of net position		
Assets		
Cash	$	126,586
Investments		75,869
Total assets	$	202,455
Liabilities		
Accounts payable	$	20,000
Net position		
Unrestricted		182,455
Total liabilities and net position	$	202,455
Statement of operations and changes in net position		
Nonoperating revenues (expenses)	$	77,732
Change in net position		77,732
Net position - beginning of year		104,723
Net position - end of year	$	182,455
Statement of cash flows		
Cash provided by		
Operating activities	$	19,048
Investing acitvities		1,863
Total		20,911
Cash - beginning of year		105,675
Cash - end of year	$	126,586

Condensed component unit information for its blended component as of and for the year ended March 31, 2023 is as follows:

Statement of net position	
Assets	
Cash	$ 105,675
Total assets	$ 105,675
Liabilities	
Accounts payable	$ 952
Net position	
Unrestricted	104,723
Total liabilities and net position	$ 105,675
Statement of operations and changes in net position	
Nonoperating revenues (expenses)	$ (6,114)
Change in net position	(6,114)
Net position - beginning of year	110,837
Net position - end of year	$ 104,723
Statement of cash flows	
Cash provided by	
Operating activities	$ 952
Investing activities	(6,114)
Total	(5,162)
Cash - beginning of year	110,837
Cash - end of year	$ 105,675

SUPPLEMENTARY INFORMATION

MASSAC MEMORIAL HOSPITAL AND AFFILIATED ORGANIZATION

SCHEDULES OF NET PATIENT SERVICE REVENUE
YEARS ENDED MARCH 31, 2024 AND 2023

	Total		Inpatient		Outpatient	
	2024	2023	2024	2023	2024	2023
Patient service revenue						
Acute care	$ 997,385	$ 1,342,737	$ 997,385	$ 1,342,737	$ -0-	$ -0-
Skilled nursing	78,173	243,010	71,419	225,039	6,754	17,971
Special care unit	-0-	9,270	-0-	9,270	-0-	-0-
	1,075,558	1,595,017	1,068,804	1,577,046	6,754	17,971
Operating and recovery rooms	2,289,436	2,183,117	-0-	-0-	2,289,436	2,183,117
Anesthesiology	292,848	291,088	-0-	-0-	292,848	291,088
Radiology	15,865,120	16,565,596	380,782	991,303	15,484,338	15,574,293
Laboratory and blood bank	10,229,535	9,808,870	493,896	787,457	9,735,639	9,021,413
Respiratory therapy	1,334,932	1,064,014	85,415	142,534	1,249,517	921,480
Physical therapy	1,326,576	1,304,017	219,062	144,663	1,107,514	1,159,354
Speech therapy	47,647	101,409	15,013	10,000	32,634	91,409
Occupational therapy	572,654	403,465	225,669	118,559	346,985	284,906
Audiology	130,214	84,235	-0-	-0-	130,214	84,235
Electrocardiology	2,018,419	2,207,529	178,719	409,688	1,839,700	1,797,841
Medical supplies	74,452	67,588	8,750	5,559	65,702	62,029
Pharmacy	2,502,684	2,080,123	475,834	637,456	2,026,850	1,442,667
Emergency services	6,665,082	5,965,073	-0-	-0-	6,665,082	5,965,073
Ambulance	2,005,845	2,189,651	-0-	-0-	2,005,845	2,189,651
New beginnings	476,930	457,460	-0-	-0-	476,930	457,460
Clinics	3,264,155	2,244,484	-0-	-0-	3,264,155	2,244,484
Wound care	519,980	255,891	-0-	-0-	519,980	255,891
Total patient service revenue	50,692,067	48,868,627	3,151,944	4,824,265	47,540,123	44,044,362
Charity care	(48,951)	(8,330)				
Total patient service revenue, net of charity care	50,643,116	48,860,297				
Contractual adjustments						
Medicare	(7,309,791)	(5,727,662)				
Medicaid	(8,324,330)	(9,337,221)				
Other	(2,135,076)	(2,770,144)				
	(17,769,197)	(17,835,027)				
Total patient service revenue, net of charity care and contractual adjustments	32,873,919	31,025,270				
Bad debt expense	(2,227,358)	(1,265,886)				
Net patient service revenue	$ 30,646,561	$ 29,759,384				

MASSAC MEMORIAL HOSPITAL AND AFFILIATED ORGANIZATION

SCHEDULES OF OTHER OPERATING REVENUES
YEARS ENDED MARCH 31, 2024 AND 2023

	2024	2023
Rental income	$ 101,770	$ 110,775
Cafeteria and dietary	103,884	99,824
Purchase discounts/rebates	10,221	11,545
Pharmacy 340B revenue, net	784,996	357,270
Employee scripts	835,846	399,671
Other operating revenue	87,053	107,793
	$ 1,923,770	$ 1,086,878

MASSAC MEMORIAL HOSPITAL AND AFFILIATED ORGANIZATION

SCHEDULES OF OPERATING EXPENSES
YEARS ENDED MARCH 31, 2024 AND 2023

	2024	2023 As restated
Nursing administration		
Salaries and wages	$ 112,341	$ 104,359
Supplies and other expenses	16,679	15,512
	$ 129,020	$ 119,871
Routine services		
Salaries and wages	$ 1,474,067	$ 1,237,873
Supplies and other expenses	687,342	499,767
	$ 2,161,409	$ 1,737,640
Operating and recovery rooms		
Salaries and wages	$ 201,614	$ 227,472
Supplies and other expenses	117,647	146,777
	$ 319,261	$ 374,249
Anesthesiology		
Salaries and wages	$ -0-	$ -0-
Supplies and other expenses	310,397	310,838
	$ 310,397	$ 310,838
Radiology		
Salaries and wages	$ 705,202	$ 670,268
Supplies and other expenses	437,859	538,073
	$ 1,143,061	$ 1,208,341
Laboratory and blood bank		
Salaries and wages	$ 791,120	$ 757,093
Supplies and other expenses	1,110,649	902,443
	$ 1,901,769	$ 1,659,536
Respiratory therapy		
Salaries and wages	$ 472,682	$ 412,137
Supplies and other expenses	163,216	133,508
	$ 635,898	$ 545,645

MASSAC MEMORIAL HOSPITAL AND AFFILIATED ORGANIZATION

SCHEDULES OF OPERATING EXPENSES
YEARS ENDED MARCH 31, 2024 AND 2023

	2024	2023 As restated
Physical therapy		
Salaries and wages	$ 434,135	$ 423,869
Supplies and other expenses	55,630	60,382
	$ 489,765	$ 484,251
Speech therapy		
Salaries and wages	$ 20,564	$ 54,482
Supplies and other expenses	4,751	5,548
	$ 25,315	$ 60,030
Occupational therapy		
Salaries and wages	$ 132,741	$ 115,070
Supplies and other expenses	15,975	12,753
	$ 148,716	$ 127,823
Audiology		
Salaries and wages	$ 44,491	$ 43,140
Supplies and other expenses	-0-	-0-
	$ 44,491	$ 43,140
Electrocardiology		
Salaries and wages	$ 306,732	$ 83,134
Supplies and other expenses	14,871	135,158
	$ 321,603	$ 218,292
Medical supplies		
Salaries and wages	$ 66,646	$ 61,330
Supplies and other expenses	41,639	59,557
	$ 108,285	$ 120,887
Pharmacy		
Salaries and wages	$ 447,807	$ 417,723
Supplies and other expenses	684,790	593,278
	$ 1,132,597	$ 1,011,001

MASSAC MEMORIAL HOSPITAL AND AFFILIATED ORGANIZATION

SCHEDULES OF OPERATING EXPENSES
YEARS ENDED MARCH 31, 2024 AND 2023

	2024	2023 As restated
Emergency services		
Salaries and wages	$ 1,003,938	$ 921,334
Supplies and other expenses	1,637,877	1,417,066
	$ 2,641,815	$ 2,338,400
Ambulance		
Salaries and wages	$ 672,207	$ 640,323
Supplies and other expenses	129,938	150,439
	$ 802,145	$ 790,762
New beginnings - geriatric psychology		
Salaries and wages	$ 252,037	$ 242,926
Supplies and other expenses	146,002	150,386
	$ 398,039	$ 393,312
Clinics		
Salaries and wages	$ 3,276,584	$ 2,309,695
Supplies and other expenses	742,175	638,630
	$ 4,018,759	$ 2,948,325
Social services		
Salaries and wages	$ 214,374	$ 178,658
Supplies and other expenses	35,945	33,734
	$ 250,319	$ 212,392
Medical records		
Salaries and wages	$ 227,277	$ 212,173
Supplies and other expenses	102,321	71,517
	$ 329,598	$ 283,690
Dietary		
Salaries and wages	$ 411,951	$ 346,957
Supplies and other expenses	263,397	250,516
	$ 675,348	$ 597,473

MASSAC MEMORIAL HOSPITAL AND AFFILIATED ORGANIZATION

SCHEDULES OF OPERATING EXPENSES
YEARS ENDED MARCH 31, 2024 AND 2023

	2024	2023 As restated
Plant operations and maintenance		
Salaries and wages	$ 288,090	$ 237,946
Supplies and other expenses	1,341,124	1,225,502
	$ 1,629,214	$ 1,463,448
Housekeeping		
Salaries and wages	$ 469,912	$ 393,699
Supplies and other expenses	161,377	181,412
	$ 631,289	$ 575,111
Laundry		
Salaries and wages	$ 16,445	$ 16,157
Supplies and other expenses	122,001	124,134
	$ 138,446	$ 140,291
Administrative services		
Salaries and wages	$ 2,280,389	$ 1,862,083
Supplies and other expenses	3,919,616	3,515,925
	$ 6,200,005	$ 5,378,008
Wound care		
Salaries and wages	$ 12,865	$ 13,020
Supplies and other expenses	96,175	62,700
	$ 109,040	$ 75,720
COVID-19		
Salaries and wages	$ 635	$ 155,370
Supplies and other expenses	-0-	326,167
	$ 635	$ 481,537
Pain management		
Salaries and wages	$ 4,951	$ -0-
Supplies and other expenses	442	-0-
	$ 5,393	$ -0-
Unassigned expenses		
Salaries and wages	$ 4,887,526	$ 3,431,526
Supplies and other expenses	2,183,275	1,999,716
	$ 7,070,801	$ 5,431,242

SCHEDULES OF STATISTICAL INFORMATION (UNAUDITED)
YEARS ENDED MARCH 31, 2024 AND 2023

	2024	2023
Patient days		
Acute	869	1,496
Swing-bed	650	287
Number of beds	25	25
Percentage of occupancy (acute and swing-bed)	17%	20%
Discharges		
Acute	256	392
Swing-bed	77	39
Average length of stay		
Acute	3.39	3.82
Swing-bed	8.44	7.36
Outpatient visits	23,826	26,435
Most recent year-end routine service rates		
Monitored	$ 781	$ 781
Semi-private	$ 490	$ 490

CPAs / ADVISORS

blue

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Report of Independent Auditors 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 Trustees
Massac Memorial Hospital and Affiliated Organization
Metropolis, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Massac County Hospital District d/b/a Massac Memorial Hospital and Affiliated Organization (collectively, the "Hospital"), component units of the Massac County, which comprise the statement of net position as of March 31, 2024, and the related statements of operations and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 26, 2024.

<u>Report on Internal Control Over Financial Reporting</u>

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

Our consideration of internal control was for the limited purpose described in the 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 or significant deficiencies may exist that have not been identified.

Board of Trustees
Massac Memorial Hospital and Affiliated Organization
Metropolis, Illinois

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 entity's internal control 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.

Blue & Co., LLC

Louisville, Kentucky
September 26, 2024

No findings were noted during 2024.

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
MARCH 31, 2024 AND 2023

No findings were noted during 2023.