

**Douglas County Memorial Hospital**

**Independent Auditor's Report  
and Financial Statements**

**For the Years Ended  
May 31, 2023 and 2022**

# Douglas County Memorial Hospital

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**Douglas County Memorial Hospital**

Armour, South Dakota

Hospital Officials

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Governing Board 2023

Joel Baier ----- President

Brad Vanden Berg----- Vice-President

Janet Lefers----- Secretary

Scott Holbeck ----- Treasurer

Sam Schuman ----- Member

Jodi Schrank ----- Member

Hospital Officials

Heath Brouwer ----- Administrator

Joshua Christensen -----Chief Financial Officer

Missy Jorgensen ----- Compliance Office



## Independent Auditor's Report

To the Board of Trustees of  
Douglas County Memorial Hospital  
Armour, South Dakota

### Opinion

We have audited the accompanying financial statements of Douglas County Memorial Hospital (a nonprofit organization), which comprise the statement of financial position as of May 31, 2023, and 2022, and the related statements of operations and changes in net assets, functional expenses, 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 financial position of Douglas County Memorial Hospital as of May 31, 2023, and 2022, and the changes in its net assets 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. 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 Douglas County Memorial Hospital and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted 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 Douglas County Memorial Hospital's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Douglas County Memorial Hospital's ability to continue as a going concern for a reasonable period of time.

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

## **Report on Supplemental Information**

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



Mitchell, South Dakota

January 4, 2024

**Douglas County Memorial Hospital**  
Statements of Financial Position

	Years Ended May 31,	
	2023	2022
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 5,089,236	\$ 6,625,222
Certificates of deposit	2,737,641	731,691
Patient receivables, net of allowances of \$1,547,900 in 2023 and \$1,070,000 in 2022	2,175,372	1,610,005
Inventories	464,798	480,281
Due from third parties	214,416	554,343
Prepaid expenses	87,652	73,291
Total Current Assets	<u>10,769,115</u>	<u>10,074,833</u>
<b>Other Receivable -- Physician Loan</b>	<u>289,571</u>	<u>225,836</u>
<b>Property, Plant, and Equipment, at cost</b>		
Land	202,294	202,294
Buildings	7,297,419	7,305,642
Major movable equipment	3,317,552	3,018,933
Total Property and Equipment	<u>10,817,265</u>	<u>10,526,869</u>
Less accumulated depreciation	4,382,395	4,079,877
Total Property and Equipment, at cost	<u>6,434,870</u>	<u>6,446,992</u>
<b>Other Assets</b>		
Investments	802,007	813,455
USDA Reserve Account	173,040	173,040
Total Other Assets	<u>975,047</u>	<u>986,495</u>
	<u>\$ 18,468,603</u>	<u>\$ 17,734,156</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Current portion of long-term debt	\$ 61,200	\$ 59,100
Accounts payable	761,439	218,666
Accrued payroll liabilities	503,082	480,395
Deferred revenue	30,206	485,306
Deposits - Prairie Villa	4,392	3,250
Total Current Liabilities	<u>1,360,319</u>	<u>1,246,717</u>
<b>Long Term Debt, net of current portion</b>	<u>2,978,736</u>	<u>3,040,036</u>
Total Liabilities	4,339,055	4,286,753
<b>Net Assets</b>		
Without donor restrictions	<u>14,129,548</u>	<u>13,447,403</u>
	<u>\$ 18,468,603</u>	<u>\$ 17,734,156</u>

The accompanying notes to financial statements are an integral part of this statement.

**Douglas County Memorial Hospital**  
Statements of Operations and Changes in Net Assets

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	Years Ended	
	May 31,	
	2023	2022
<b>Revenues without donor restrictions</b>		
Net patient service revenue	\$ 11,998,017	\$ 11,250,421
Other operating revenue	761,499	230,431
Total Revenues without donor restrictions	<u>12,759,516</u>	<u>11,480,852</u>
<b>Operating Expenses</b>		
Nursing service	2,398,078	2,105,542
Other professional service	5,598,072	4,600,661
General service	907,435	772,862
Fiscal and administrative service	1,532,131	1,468,843
Clinics	1,638,038	1,839,733
Total Operating Expenses	<u>12,073,754</u>	<u>10,787,641</u>
Income From Operations	<u>685,762</u>	<u>693,211</u>
<b>Non-Operating Revenues</b>		
Interest income	40,228	20,222
Contributions	5	4,130
Assisted living -net	(18,093)	(99,693)
Net unrealized gain (loss) on investments	(25,757)	(81,320)
Net Non-Operating Revenues	<u>(3,617)</u>	<u>(156,661)</u>
<b>Change in Net Assets</b>	682,145	536,550
<b>Net Assets, Beginning of Year</b>	<u>13,447,403</u>	<u>12,910,853</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 14,129,548</u></u>	<u><u>\$ 13,447,403</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**Douglas County Memorial Hospital**  
**Statements of Functional Expenses**  
**For the Year Ended May 31, 2023**

	<u>Nursing Service</u>	<u>Other Professional Service</u>	<u>General Service</u>	<u>Fiscal and Administrative Service</u>	<u>Clinics</u>	<u>Total</u>
Salaries and wages	\$ 1,681,057	\$ 1,325,906	\$ 337,679	\$ 675,910	\$ 947,883	\$ 4,968,435
Benefits	192,883	216,038	88,522	141,571	240,646	879,660
Payroll taxes	110,382	91,404	23,770	46,561	65,705	337,822
	<u>1,984,322</u>	<u>1,633,348</u>	<u>449,971</u>	<u>864,042</u>	<u>1,254,234</u>	<u>6,185,917</u>
Advertising	--	--	--	15,128	8,918	24,046
Continuing education	11,763	4,138	548	2,001	4,590	23,040
Depreciation	58,123	216,791	96,441	1,535	113,201	486,091
Food	--	--	86,875	--	--	86,875
Insurance	--	--	--	67,420	--	67,420
Interest	12,845	47,909	21,312	339	25,016	107,421
Lease	3,025	250	--	--	--	3,275
Miscellaneous expense	10,628	--	--	16,283	5,627	32,538
Occupancy	--	--	--	3,892	6,127	10,019
Postage and freight	--	--	--	13,808	--	13,808
Professional services	192,720	584,344	57,345	415,722	69,591	1,319,722
Repairs and maintenance	19,224	40,990	26,258	20,854	--	107,326
Supplies	100,207	3,062,114	51,825	88,365	134,455	3,436,966
Telephone	--	647	--	21,618	6,881	29,146
Travel and transportation	--	7,245	49,257	1,124	4,242	61,868
Utilities	5,221	296	67,603	--	5,156	78,276
Total Expenses	<u>\$ 2,398,078</u>	<u>\$ 5,598,072</u>	<u>\$ 907,435</u>	<u>\$ 1,532,131</u>	<u>\$ 1,638,038</u>	<u>\$ 12,073,754</u>

The accompanying notes to financial statements are an integral part of this statement.



**Douglas County Memorial Hospital**  
**Statements of Functional Expenses (Continued)**  
**For the Year Ended May 31, 2022**

	<b>Nursing Service</b>	<b>Other Professional Service</b>	<b>General Service</b>	<b>Fiscal and Administrative Service</b>	<b>Clinics</b>	<b>Total</b>
Salaries and wages	\$ 1,339,480	\$ 1,249,769	\$ 314,654	\$ 628,427	\$ 1,154,194	\$ 4,686,524
Benefits	206,480	231,307	83,960	146,037	237,527	905,311
Payroll taxes	87,065	85,047	21,892	42,719	78,507	315,230
	<u>1,633,025</u>	<u>1,566,123</u>	<u>420,506</u>	<u>817,183</u>	<u>1,470,228</u>	<u>5,907,065</u>
Advertising	--	--	--	22,721	6,775	29,496
Continuing education	7,815	5,308	729	2,046	6,891	22,789
Depreciation	59,950	236,000	83,995	1,095	131,800	512,840
Food	--	--	61,651	--	--	61,651
Insurance	--	--	--	53,578	--	53,578
Interest	12,795	50,371	17,927	234	28,131	109,458
Lease	3,523	--	--	--	--	3,523
Miscellaneous expense	2,305	27	(13,532)	16,720	7,276	12,796
Occupancy	--	--	--	3,761	6,127	9,888
Postage and freight	--	--	--	12,783	--	12,783
Professional services	207,917	561,875	44,870	366,597	66,512	1,247,771
Recruitment	--	--	--	--	--	--
Repairs and maintenance	18,790	37,859	22,008	18,994	--	97,651
Supplies	154,449	2,137,268	34,140	129,285	99,074	2,554,216
Telephone	--	634	--	22,789	7,070	30,493
Travel and transportation	--	5,196	36,308	1,057	3,449	46,010
Utilities	4,973	--	64,260	--	6,400	75,633
Total Expenses	<u>\$ 2,105,542</u>	<u>\$ 4,600,661</u>	<u>\$ 772,862</u>	<u>\$ 1,468,843</u>	<u>\$ 1,839,733</u>	<u>\$ 10,787,641</u>

The accompanying notes to financial statements are an integral part of this statement.

**Douglas County Memorial Hospital**  
Statements of Cash Flows

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	Years Ended	
	May 31,	
	2023	2022
<b>Cash flows from Operating Activities:</b>		
Cash received from patients and third-party payors	\$ 12,062,025	\$ 11,028,971
Cash paid to suppliers and employees	(10,760,968)	(10,171,116)
Other receipts	5	4,130
Interest paid	(107,421)	(109,458)
Interest received	40,228	20,222
	<u>1,233,869</u>	<u>772,749</u>
<b>Net Cash Provided by Operating Activities</b>	<u>1,233,869</u>	<u>772,749</u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of property and equipment	(510,396)	(276,156)
Purchase of certificates of deposit	(2,005,950)	(1,510)
Purchase of investments	(14,309)	(15,252)
Advances on other receivable	(180,000)	(40,000)
	<u>(2,710,655)</u>	<u>(332,918)</u>
<b>Net Cash (Used) by Investing Activities</b>	<u>(2,710,655)</u>	<u>(332,918)</u>
<b>Cash Flows from Financial Activities:</b>		
Principal repayments under long term debt	(59,200)	(57,167)
	<u>(59,200)</u>	<u>(57,167)</u>
<b>Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash</b>	<u>(1,535,986)</u>	382,664
<b>Cash, Cash Equivalents, and Restricted Cash, Beginning of Year</b>	<u>6,798,262</u>	<u>6,415,598</u>
<b>Cash, Cash Equivalents, and Restricted Cash, End of Year</b>	<u><u>\$ 5,262,276</u></u>	<u><u>\$ 6,798,262</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**Douglas County Memorial Hospital**  
Statements of Cash Flows (Continued)

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	<b>Years Ended</b>	
	<b>May 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Reconciliation of Change in Net Assets to Net</b>		
<b>Cash Provided by Operating Activities:</b>		
Change in net assets	\$ 682,145	\$ 536,550
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	522,518	543,367
Forgiveness of physician receivables	116,265	39,492
Net unrealized (gains) losses on investments	25,757	81,320
(Increase) decrease in:		
Patient receivables	(565,367)	(137,482)
Inventories	15,483	(82,483)
Due from third parties	339,927	(402,090)
Prepaid expenses	(14,361)	(16,024)
Increase (decrease) in:		
Accounts payable	542,773	(21,062)
Accrued payroll liabilities	22,687	43,777
Deferred revenue	(455,100)	187,634
Deposits - Prairie Villa	1,142	(250)
	<u>1,142</u>	<u>(250)</u>
 <b>Net Cash Provided by Operating Activities</b>	<b>\$ 1,233,869</b>	<b>\$ 772,749</b>
 <b>Composition of Cash, Cash Equivalents, and Restricted Cash</b>		
Cash and cash equivalents	\$ 5,089,236	\$ 6,625,222
USDA Reserve Account	173,040	173,040
	<u>\$ 5,262,276</u>	<u>\$ 6,798,262</u>

The accompanying notes to financial statements are an integral part of this statement.

## Douglas County Memorial Hospital

Notes to Financial Statements

May 31, 2023 and 2022

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### 1. Significant Accounting Policies:

Organization: Douglas County Memorial Hospital (the Hospital), located in Armour, SD is a nonprofit corporation organized under the laws of the State of South Dakota. The Hospital is a critical access hospital licensed for 11 beds that provide inpatient, outpatient, and emergency services for residents of south central South Dakota. The Hospital also operates clinics in the communities of Armour, Corsica, and Stickney. The Hospital is dedicated to the care of the sick and injured without regard to race, color, creed, or national origin.

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

Cash and Cash Equivalents: The Hospital considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Patient Receivables: Patient receivables are shown at the net amount expected to be collected. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. In evaluating the collectability of patient accounts receivable, the Hospital analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the net realizable value. For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractual amounts due and provides an estimated implicit price concession, if necessary.

Inventories: Inventories consist of pharmaceutical, dietary, operating room, lab, and other supplies and are stated at current cost, equal to the last paid invoice price.

Property and Equipment: Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. It is the Hospital's policy to expense assets with a purchase price of less than \$5,000.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Investments: The entity records investments in marketable securities with readily determinable market values and all investments in debt securities at their fair value. Unrealized gains and losses are included in the change in net assets in the accompanying statement of operations.

## Douglas County Memorial Hospital

Notes to Financial Statements

May 31, 2023 and 2022

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### 1. Significant Accounting Policies: (Continued)

Income Taxes: The Hospital is a not-for-profit corporation and has been recognized as tax-exempt pursuant to Section 501(c) (3) of the Internal Revenue Code. The state of South Dakota does not levy an income tax.

The Hospital includes all penalties and interest assessed by income taxing authorities in operating expenses. The Hospital did not have penalties and interest expenses for the years ended May 31, 2023 and 2022

Net Patient Service Revenue: The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Functional Expenses: Expenses are allocated between program services – nursing, other professional, clinics – and supporting services – general, fiscal and administrative – by direct identification of expenses if possible and estimated by management when direct identification is not possible. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, which are allocated on the basis of estimates of time, effort, depreciation, and interest, which are allocated on the basis of square footage.

Charity Care: The Hospital provides care to patients who meet certain criteria under its charity policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Basis of Presentation: The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Without donor restrictions: Net assets that are not subject to donor-imposed stipulations.

With donor restrictions: Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, the net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions.

Contributions: Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions.

Estimated Malpractice Costs: The provision for estimated medical malpractice claims includes estimates of the ultimate cost for both reported claims and claims incurred but not reported.

## Douglas County Memorial Hospital

Notes to Financial Statements

May 31, 2023 and 2022

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### 1. Significant Accounting Policies: (Continued)

Leases: The Hospital determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Hospital does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Subsequent Events: Subsequent events have been evaluated for potential recognition or disclosure in the financial statements through January 4, 2024, the date the financial statements were available to be issued.

### 2. Net Patient Service Revenue:

The Hospital net patient revenues are generally derived from medical services from contracts with patients. These contracts can be written or implied. The Hospital allocates the transaction price to each performance obligation. The Hospital recognizes the revenue for each performance obligation at the point in time when the obligation was fulfilled, or the service was rendered. The contractual interactions with patients, in most cases, involve a third-party payer (Medicare, Medicaid, commercial insurance companies).

The transaction price is determined based on gross charges for services provided, reduced by contractual adjustments provided to third-party payers, discounts provided to uninsured patients in accordance with the Hospital's charity care policy, and implicit rate concessions provided primarily to uninsured patients. Patients who have health care insurance may also have discounts applied related to their copayment or deductible. Implicit price concessions are recorded as a direct reduction to net patient service revenue and are based primarily on historical collection experience.

Estimates of contractual adjustments and discounts are determined by major payor classes for inpatient and outpatient revenues based on contractual agreements, discount policies and historical experience. Management continually reviews the contractual estimation process to consider and incorporate updates to laws and regulations and frequent changes in commercial and managed care contractual terms resulting from contract renegotiations and renewals.

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:

## Douglas County Memorial Hospital

Notes to Financial Statements

May 31, 2023 and 2022

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### 2. Net Patient Service Revenue: (Continued)

Medicare: Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient non-acute services and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items 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. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization.

Medicaid: Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement 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 Medicaid fiscal intermediary.

Revenue from the Medicare and Medicaid programs accounted for approximately 59% and 7%, respectively, of the Hospital's net patient revenue for the year ended May 31, 2023, and 57% and 5% respectively of the Hospital's net patient revenue, for the year ended May 31, 2022. Laws and regulations governing the Medicare and Medicaid programs are 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.

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

### 3. Pension Plan:

The Hospital maintains a contributory defined contribution retirement plan for all eligible employees. The 403(b) pension plan is administered by CUNA Mutual Group. Contributions up to 5% of gross wages by electing employees, are matched by the Hospital. The Hospital's pension expense for the years ended May 31, 2023 and 2022 was \$213,113 & \$195,796, respectively.

### 4. Malpractice Claims:

The Hospital is insured by a claims-made policy for protection against liability claims resulting from professional services provided or which should have been provided. Coverage limits are \$1,000,000 per claim and \$3,000,000 in the aggregate.

Presently no claims alleging malpractice have been asserted against the Hospital. However, incidents occurring through May 31, 2023 or 2022 may result in the assertion of claims. Other claims may be asserted arising from services provided to patients in the past. Management is unable to estimate the ultimate cost, if any, of the resolution of such potential claims; however, management believes that these claims, if asserted, would be settled within the limits of insurance coverage.

## Douglas County Memorial Hospital

Notes to Financial Statements

May 31, 2023 and 2022

### 5. Long Term Debt:

Long term debt consists of the following:

Description	Terms	Years Ended May 31,	
		2023	2022
USDA Rural Development -- Secured by Building	3.5%; Payable in monthly installments of \$13,895, including interest. Final payment due July 10, 2052.	\$ 3,039,936	\$ 3,099,136
		\$ 3,039,936	\$ 3,099,136
	Less Current Portion	(61,200)	(59,100)
	Net Long Term Debt	\$ 2,978,736	\$ 3,040,036

For the years ended May 31, 2023 and 2022, the Hospital recorded interest expense of \$107,421 and \$109,458, respectively.

Estimated aggregate maturities of long-term debt for the years ended May 31, are as follows:

2024	\$	61,200
2025	\$	63,400
2026	\$	65,700
2027	\$	68,000
2028	\$	70,400

### 6. Concentration of Credit Risk:

The Hospital maintains several bank accounts at BankWest in Armour, SD. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Balances at year end and at various times throughout the year exceeded federally insured limits.

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors as of May 31, 2023 and 2022 was as follows:

	2023	2022
Medicare	35.2%	32.3%
Medicaid	3.3%	2.9%
Blue Cross	4.8%	8.0%
Other third-party payors	17.6%	15.7%
Patients	39.1%	41.1%
	100.0%	100.0%



## Douglas County Memorial Hospital

### Notes to Financial Statements

May 31, 2023 and 2022

#### 7. Liquidity and Availability of Financial Assets:

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual restrictions within one year of the balance sheet date.

	<b>2023</b>	<b>2022</b>
Financial assets at year-end	\$ 11,481,283	\$ 10,733,592
Less those unavailable for general expenditure within one year:		
USDA Reserve	173,040	173,040
Physician loan receivable	289,571	225,836
	462,611	398,876
 Financial assets available to meet cash needs for general expenditure within one year	 \$ 11,018,672	 \$ 10,334,716

As part of the Organization's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities and other obligations come due.

#### 8. Investments:

Investments at May 31, 2023 and 2022 are summarized as follows:

<b>Investments at May 31, 2023</b>			
	<b>Cost</b>	<b>Fair Value</b>	<b>Carrying Value</b>
<b>Investments, recorded at fair value:</b>			
Cash and Cash Equivalents	\$ 4,611	\$ 4,611	\$ 4,611
Mutual Funds - Bonds	127,995	120,987	120,987
Mutual Funds - Equities	288,091	283,310	283,310
Exchange Traded Funds	277,242	393,099	393,099
	\$ 697,939	\$ 802,007	\$ 802,007
 <b>Investments at May 31, 2022</b>			
	<b>Cost</b>	<b>Fair Value</b>	<b>Carrying Value</b>
<b>Investments, recorded at fair value:</b>			
Cash and Cash Equivalents	\$ 4,511	\$ 4,511	\$ 4,511
Mutual Funds - Bonds	91,869	88,469	88,469
Mutual Funds - Equities	227,410	233,698	233,698
Exchange Traded Funds	344,242	486,777	486,777
	\$ 668,032	\$ 813,455	\$ 813,455

## Douglas County Memorial Hospital

Notes to Financial Statements

May 31, 2023 and 2022

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### 9. Fair Value Measurements:

FASB Accounting Standards Codification 820, Fair Value Measurements and Disclosures establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

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

Level 2 Inputs to the valuation methodology include:

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

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

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

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

Following is a description of the valuation methodologies used for assets measured at fair value:

Mutual Funds and Exchange Traded Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual and exchange traded funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual and exchange traded funds held by the Hospital are deemed to be actively traded.

## Douglas County Memorial Hospital

### Notes to Financial Statements

May 31, 2023 and 2022

#### 9. Fair Value Measurements: (Continued)

The following table sets forth by level, within the fair value hierarchy, the entity's assets at fair value as of May 31, 2023 and 2022:

	Assets Measured at Fair Value at May 31, 2023			
	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	\$ 4,611	\$ --	\$ --	\$ 4,611
Mutual Funds	404,297	--	--	404,297
Exchange Traded Funds	393,099	--	--	393,099
Total Assets Measured at Fair Value	<u>\$ 802,007</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 802,007</u>

  

	Assets Measured at Fair Value at May 31, 2022			
	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	\$ 4,511	\$ --	\$ --	\$ 4,511
Mutual Funds	322,167	--	--	322,167
Exchange Traded Funds	486,777	--	--	486,777
Total Assets Measured at Fair Value	<u>\$ 813,455</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 813,455</u>

#### 10. Recently Issued Accounting Standards:

In June 2016, FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326), commonly known as CECL. CECL's main goal is to improve financial reporting by requiring earlier recognition of credit losses on financing receivables and other financial assets in scope. This ASU is effective for periods beginning after December 15, 2022, including interim periods within those fiscal years. The Organization is currently evaluating this guidance to determine the impact, if any, it may have on the financial statements.

#### 11. Reclassifications:

Certain items in the financial statements for 2022 have been reclassified to conform with the current year presentation. Such classifications had no effect on net income.

## Supplemental Information

## Douglas County Memorial Hospital

### Patient Service Revenue

May 31, 2023 and 2022

	<u>Inpatient</u>	<u>Outpatient</u>	<u>Swingbed</u>	<u>2023</u>	<u>2022</u>
<b>Patient Service Revenue</b>					
Nursing	\$ 1,093,640	\$ --	\$ 429,496	\$ 1,523,136	\$ 1,332,662
Delivery room	--	384	--	384	618
Operating room	--	358,296	750	359,046	371,301
Anesthesiology	--	16,978	--	16,978	35,794
Central service	69,179	43,919	15,149	128,247	138,942
Home health	--	43,466	--	43,466	48,803
Community health	--	105,310	--	105,310	107,504
Laboratory	346,522	2,119,995	42,030	2,508,547	2,351,994
Electrocardiology	187,962	1,713,224	2,555	1,903,741	1,621,632
Radiology	71,269	1,106,963	7,553	1,185,785	1,523,983
Ultrasound	6,075	57,345	248	63,668	63,140
Pharmacy	282,765	1,994,084	55,786	2,332,635	1,598,512
Respiratory therapy	210,882	131,684	8,477	351,043	359,793
Physical therapy	27,446	534,594	43,495	605,535	671,167
Cardiac rehabilitation	--	22,170	--	22,170	48,670
Speech therapy	6,775	41,702	9,496	57,973	36,891
Occupational therapy	18,514	72,140	37,645	128,299	103,396
Emergency room	64,684	1,158,517	(135)	1,223,066	1,104,648
Ambulance	--	288,651	--	288,651	241,256
Observation	--	245,011	--	245,011	160,347
Armour clinic	--	2,067,300	--	2,067,300	1,996,293
Stickney clinic	--	87,577	--	87,577	76,511
Corsica clinic	--	812,333	--	812,333	858,419
Retail pharmacy	--	1,972,389	--	1,972,389	1,859,821
Total Patient Service Revenue	<u>\$ 2,385,713</u>	<u>\$ 14,994,032</u>	<u>\$ 652,545</u>	<u>18,032,290</u>	<u>16,712,097</u>
<b>Less Provision for</b>					
Explicit Price Concessions				(5,886,672)	(5,339,157)
Discounts				(511)	(659)
Charity Care				(213,317)	(37,711)
Implicit price concessions				<u>66,227</u>	<u>(84,149)</u>
<b>Net Patient Service Revenue</b>				<u>\$ 11,998,017</u>	<u>\$ 11,250,421</u>

**Douglas County Memorial Hospital**  
Other Operating Revenue

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	Years Ended May 31,	
	2023	2022
Cafeteria	\$ 78,585	\$ 73,900
Finance charges	245	228
Medical record fees	823	1,405
Grants	628,497	148,384
Other net	53,349	6,514
	<u>\$ 761,499</u>	<u>\$ 230,431</u>

**Douglas County Memorial Hospital**  
Operating Expenses Summary

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	Years Ended May 31,	
	2023	2022
<b>Nursing Service</b>		
Routine care	\$ 1,511,081	\$ 1,384,917
Operating & Recovery Room	162,177	176,530
Emergency room	618,231	437,792
Central supply	35,621	33,558
Depreciation	58,123	59,950
Interest	12,845	12,795
Total Nursing Service	2,398,078	2,105,542
<b>Other Professional Service</b>		
Anesthesiology	76,566	110,000
Lab	751,993	722,588
Electriccardiology	146,133	164,872
Radiology	341,100	259,325
Pharmacy	1,623,274	905,187
Respiratory therapy	115,860	124,063
Physical therapy	180,963	172,004
Occupational therapy	48,590	43,628
Medical Records	159,293	162,185
Community health	161,319	135,270
Home health	97,129	91,031
Retail pharmacy	1,631,152	1,424,137
Depreciation	216,791	236,000
Interest	47,909	50,371
Total Other Professional Service	5,598,072	4,600,661
<b>General Service</b>		
Housekeeping	108,410	96,687
Laundry	3,580	2,514
Maintenance	330,045	273,183
Dietary	334,727	286,484
Ambulance	12,920	12,072
Depreciation	96,441	83,995
Interest	21,312	17,927
Total General Service	907,435	772,862
<b>Fiscal and Administrative Service</b>		
Business office	1,050,245	990,896
Administrative services	480,012	476,618
Depreciation	1,535	1,095
Interest	339	234
Total Fiscal and Administrative Service	1,532,131	1,468,843
<b>Clinics</b>		
Armour Clinic	906,708	1,027,223
Stickney Clinic	57,963	41,895
Corsica Clinic	535,150	610,684
Depreciation	113,201	131,800
Interest	25,016	28,131
Total Clinics	1,638,038	1,839,733
Total Operating Expense	\$ 12,073,754	\$ 10,787,641

**Douglas County Memorial Hospital**  
Operating Wage Summary

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	Years Ended	
	May 31,	
	2023	2022
<b>Nursing Service</b>		
Routine care	\$ 1,171,826	\$ 1,018,053
Operating & Recovery Room	40,628	26,368
Emergency room	468,603	295,059
Total Nursing Service	<u>1,681,057</u>	<u>1,339,480</u>
<b>Other Professional Service</b>		
Lab	270,741	250,044
Radiology	196,774	182,320
Pharmacy	88,725	101,157
Respiratory therapy	78,763	74,905
Physical therapy	113,412	117,295
Medical Records	132,784	130,051
Community health	97,374	83,624
Home health	57,877	55,221
Retail pharmacy	289,456	255,152
Total Other Professional Service	<u>1,325,906</u>	<u>1,249,769</u>
<b>General Service</b>		
Housekeeping	68,841	63,659
Maintenance	95,799	89,521
Dietary	173,039	161,474
Total General Service	<u>337,679</u>	<u>314,654</u>
<b>Fiscal and Administrative Service</b>		
Business office	507,305	464,675
Discounts	168,605	163,752
Total Fiscal and Administrative Service	<u>675,910</u>	<u>628,427</u>
<b>Clinics</b>		
Armour Clinic	615,595	755,728
Stickney Clinic	38,629	26,207
Corsica Clinic	293,659	372,259
Total Clinics	<u>947,883</u>	<u>1,154,194</u>
Total Wages	<u>\$ 4,968,435</u>	<u>\$ 4,686,524</u>



**Douglas County Memorial Hospital**  
Patient Receivables and Allowance for Doubtful Accounts

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	Years Ended	
	May 31,	
	2023	2022
<b>Days Since Discharge</b>		
0-30	\$ 1,705,318	\$ 1,152,058
31-120	714,218	649,363
121-180	157,455	131,966
180 and over	1,146,281	746,618
Subtotal	<u>3,723,272</u>	<u>2,680,005</u>
<b>Less</b>		
Allowance for explicit price concessions	(455,000)	(357,000)
Allowance for implicit price concessions	(1,092,900)	(713,000)
Total	<u>\$ 2,175,372</u>	<u>\$ 1,610,005</u>
 <b>Allowance for Implicit Price Concessions</b>		
<b>Balance, Beginning of Year</b>	\$ 713,000	\$ 553,000
Implicit price concessions	448,115	197,457
Accounts written off - net	(68,215)	(37,457)
<b>Balance, End of Year</b>	<u>\$ 1,092,900</u>	<u>\$ 713,000</u>

**Douglas County Memorial Hospital**  
Comparative Statistics

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	Years Ended	
	May 31,	
	2023	2022
<b>Patient Days</b>		
Acute	490	493
Swing Bed	278	245
Total Patient Days	<u>768</u>	<u>738</u>
<b>Admissions</b>		
Acute	126	127
Swing Bed	31	35
Total Admissions	<u>157</u>	<u>162</u>
<b>Outpatient Visits</b>	12,450	13,002
<b>Average Length of Stay</b>	3.89	3.88
<b>Occupancy Percentage, Acute</b>	12%	13%
<b>Net Patient Service Revenue</b>		
Per Calendar Day	<u>\$ 32,871</u>	<u>\$ 30,823</u>
<b>Number of Days Net Patient Service Revenue</b>		
In Net Patient Receivables at End of Year	<u>66</u>	<u>52</u>

**Douglas County Memorial Hospital**  
Property, Plant and Equipment  
May 31, 2023 and 2022

Year Ended May 31, 2023	Cost			
	Beginning	Additions	Disposals	End of Year
Land	\$ 202,294	\$ --	\$ --	\$ 202,294
Buildings	7,305,642	--	8,223	7,297,419
Major movable equipment	3,018,933	538,619	240,000	3,317,552
Total	<u>\$ 10,526,869</u>	<u>\$ 538,619</u>	<u>\$ 248,223</u>	<u>\$ 10,817,265</u>

	Accumulated Depreciation			
	Beginning	Additions	Disposals	End of Year
Buildings & Major movable equipment	\$ 4,079,877	\$ 522,518	\$ 220,000	\$ 4,382,395
Total	<u>\$ 4,079,877</u>	<u>\$ 522,518</u>	<u>\$ 220,000</u>	<u>\$ 4,382,395</u>

Year Ended May 31, 2022	Cost			
	Beginning	Additions	Disposals	End of Year
Land	\$ 202,294	\$ --	\$ --	\$ 202,294
Buildings	7,219,748	85,894	--	7,305,642
Major movable equipment	2,824,675	194,258	--	3,018,933
Total	<u>\$ 10,246,717</u>	<u>\$ 280,152</u>	<u>\$ --</u>	<u>\$ 10,526,869</u>

	Accumulated Depreciation			
	Beginning	Additions	Disposals	End of Year
Buildings & Major movable equipment	\$ 3,532,514	\$ 547,363	\$ --	\$ 4,079,877
Total	<u>\$ 3,532,514</u>	<u>\$ 547,363</u>	<u>\$ --</u>	<u>\$ 4,079,877</u>