

**Grundy County Memorial Hospital**  
Grundy Center, Iowa

**Basic Financial Statements and Supplementary Information**  
**June 30, 2020 and 2019**

**Together with Independent Auditor's Report**

# Grundy County Memorial Hospital

## Table of Contents

---

	<u>Page</u>
Officials - June 30, 2020 .....	1
Independent Auditor's Report .....	2 – 3
Management's Discussion and Analysis .....	4 – 9
Basic Financial Statements:	
Statements of Net Position June 30, 2020 and 2019 .....	10
Statements of Revenue, Expenses and Changes in Net Position For the Years Ended June 30, 2020 and 2019 .....	11
Statements of Cash Flows For the Years Ended June 30, 2020 and 2019 .....	12 – 13
Notes to Financial Statements June 30, 2020 and 2019 .....	14 – 25
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenue, Expenses and Changes in Net Position – Budget and Actual (Cash Basis) For the Year Ended June 30, 2020 .....	26
Supplementary Information:	
Exhibit 1 - Net Patient Service Revenue For the Years Ended June 30, 2020 and 2019 .....	27
Exhibit 2 - Other Operating Revenue For the Years Ended June 30, 2020 and 2019 .....	28
Exhibit 3 - Departmental Expenses For the Years Ended June 30, 2020 and 2019 .....	39
Exhibit 4 - Patient Receivables and Allowance for Doubtful Accounts For the Years Ended June 30, 2020 and 2019 .....	30
Exhibit 5 - Inventories / Prepaid Expenses June 30, 2020 and 2019 .....	31
Exhibit 6 - Financial and Statistical Highlights For the Years Ended June 30, 2020 and 2019 .....	32
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	33 – 34
Schedule of Findings and Responses For the Year Ended June 30, 2020.....	35
Audit Staff .....	36

## Grundy County Memorial Hospital

Officials  
June 30, 2020

---

<u>Board of Commissioners</u>	<u>Title</u>	<u>Address</u>	<u>Term Expires</u>
Todd Button	Chair	Eldora, IA	June 2023
Todd Geer	Vice Chair	Grundy Center, IA	June 2022
Michael Brannon	Treasurer	Parkersburg, IA	June 2022
Melody Hoy	Secretary	Eldora, IA	June 2021
Brent Bovy	Member	Dike, IA	June 2021
Mary Schmidt	Member	Grundy Center, IA	June 2021
Rick Smith	Member	Grundy Center, IA	June 2022
Helene Wertz	Member	Dike, IA	June 2020
Doug Kruse	Member	Conrad, IA	June 2023

<u>Hospital Officials</u>	<u>Title</u>
Adam Scherling	Administrator
Lisa A. Zinkula	Controller

## Independent Auditor's Report

To the Board of Commissioners of  
Grundy County Memorial Hospital  
Grundy Center, Iowa:

### Report on the Financial Statements

We have audited the accompanying financial statements of Grundy County Memorial Hospital (Hospital) as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital as of June 30, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information on pages 4 - 9 and 26, respectively, 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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hospital's basic financial statements. The supplementary information included in Exhibits 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2021 on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

*SEIM JOHNSON, LLP*

Omaha, Nebraska,  
January 8, 2021.

# Grundy County Memorial Hospital

## Management's Discussion and Analysis June 30, 2020 and 2019

---

Our discussion and analysis of Grundy County Memorial Hospital's (Hospital's) financial performance provides an overview of the Hospital and its financial activities for the fiscal years ended June 30, 2020, 2019, and 2018. Please read it in conjunction with the Hospital's financial statements, which begin on page 10.

### Using This Annual Report

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the Hospital and its basic financial statements while providing an analytical overview of the Hospital's financial activities.
- The Hospital's financial statements consist of three statements – Statements of Net Position; Statements of Revenue, Expenses, and Changes in Net Position; and Statements of Cash Flows. These financial statements and related notes provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes by contributors, grantors, or enabling legislation.
- Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

### A Partner for Grundy County

#### GCMH Associates

The Hospital is a vital part of Grundy County. With a staff of 150 it is amongst the county's largest employers. The total annual payroll and benefits for the Hospital reached \$10.4 million for the year ending June 30, 2020.

The Administrative Team and Hospital Board of Commissioners demonstrate their commitment to Hospital Associates by providing many opportunities for the professional development of their Associates as well as encouraging persons in lower skilled positions to train for higher skill level and professional positions within the organization.

#### Medical Staff

The Grundy County Memorial Hospital Medical Staff has a total of 283 providers (15 active, 129 adjunct / consulting / Affiliated, 1 honorary, 4 residents, 113 tele-radiologists, 10 tele-psychology providers, and 11 tele-hospitalist providers). The Medical Staff had 73 new providers apply for Medical Staff privileges during FY 2019-2020 and 37 voluntary relinquishments.

### Financial Highlights

- The Hospital's cash and cash equivalents increased \$6,809,029 from 2019 to 2020 and from 2018 to 2019 there was an increase of \$2,477,208.
- The Hospital's increase in net position was \$3,510,028, 22.3% from June 30, 2019 to June 30, 2020 and \$972,924, 6.6% from June 30, 2018 to June 30, 2019.
- Net patient and resident service revenue before provision for bad debt increased \$1,080,773, 5.5% from 2019 to 2020 and decreased \$755,275, 3.7% from 2018 to 2019.
- Operating expenses increased \$859,480, 4.7% from the year ending June 30, 2019 to June 30, 2020 and decreased \$1,237,048, 6.3% from the year ending June 30, 2018 to June 30, 2019.

# Grundy County Memorial Hospital

## Management's Discussion and Analysis June 30, 2020 and 2019

---

### Financial Statements

#### *The Statements of Net Position and Statements of Revenue, Expenses, and Changes in Net Position*

The Statements of Net Position and the Statements of Revenue, Expenses, and Changes in Net Position report information about the Hospital's resources and its activities in a way that helps answer the question of whether the Hospital, as a whole, is better or worse off as a result of the year's activities. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Hospital's net position and changes in them. You can think of the Hospital's net position - the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources - as one way to measure the Hospital's financial health, or financial position. Over time, increases or decreases in the Hospital's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Hospital's patient base and measures of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the Hospital.

#### *The Statements of Cash Flows*

The Statements of Cash Flows reports cash receipts, cash payments, and net changes in cash and cash equivalents resulting from operations, investing, and financing activities. It shows where cash came from and what the cash was used for. It also provides the change in the cash balance during the reporting period.

### Changes in the Hospital's Net Position and Operating Results

#### *The Hospital's Net Position*

The Hospital's net position is the difference between its assets and liabilities reported in the Statements of Net Position on page 10. The Hospital's net position increased \$3,510,028, 22.3% from June 30, 2019 to June 30, 2020 and \$972,924, 6.6% from June 30, 2018 to June 30, 2019 (Refer to **Table 1**).

**Table 1: Assets, Liabilities, and Net Assets**

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Assets and deferred outflows of resources:			
Current assets	\$ 20,322,539	13,611,801	10,919,211
Capital assets, net	16,341,201	17,814,176	19,495,875
Other noncurrent assets	2,900,830	2,700,358	2,521,268
Deferred outflows of resources	917,864	1,028,562	1,139,259
Total assets and deferred outflows of resources	40,482,434	35,154,897	34,075,613
Liabilities and deferred inflows of resources:			
Long-term debt outstanding	15,468,979	15,105,795	16,467,611
Other current and deferred inflows of resources	5,471,175	4,279,850	2,811,684
Total liabilities and deferred inflows of resources	20,940,154	19,385,645	19,279,295
Net position:			
Invested in capital assets, net of related debt	2,609,768	2,542,487	2,978,511
Restricted for debt service	142,023	149,381	148,382
Unrestricted	16,527,489	13,077,384	11,669,435
Total net position	\$ 19,279,280	15,769,252	14,796,328

# Grundy County Memorial Hospital

## Management's Discussion and Analysis June 30, 2020 and 2019

### Year Ending June 30, 2019 to June 30, 2020:

The Hospital's total assets and deferred outflows of resources increased \$5,327,537, 15.2%. This increase is a result of an increase cash and equivalents in the amount of \$6,809,029, 63.9%, along with assets limited as to use or restricted decreased in the amount of \$160,798, 51.0%, which is then offset by a decrease in capital assets in the amount of \$1,472,975, 8.3%.

### Year Ending June 30, 2018 to June 30, 2019:

The Hospital's total assets and deferred outflows of resources increased \$1,079,274, 3.2%. This increase is a result of an increase cash and equivalents in the amount of \$2,477,208, 30.3%, along with assets limited as to use or restricted increased in the amount of \$117,140, 60.0%, which is then offset by a decrease in capital assets in the amount of \$1,681,699, 8.6%.

### Operating Results

In 2020, the Hospital's net position increased \$3,510,028, 22.3% while in 2019, the Hospital's net position increased by \$972,924, 6.6%. (Refer to **Table 2**). These increases include an excess of revenue over expenses before capital grants and contributions of \$3,193,708 for June 30, 2020, \$648,931 for June 30, 2019, and \$61,362 for June 30, 2018.

**Table 2: Condensed Statements of Revenue, Expenses and Changes in Net Position**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating revenue:			
Net patient service revenue	\$ 20,817,325	19,736,552	20,491,827
Provision for bad debt	(582,257)	(697,970)	(703,378)
Other operating revenue	<u>185,829</u>	<u>176,556</u>	<u>111,244</u>
Total operating revenue	<u>20,420,897</u>	<u>19,215,138</u>	<u>19,899,693</u>
Operating expenses:			
Salaries and benefits	10,381,103	9,918,393	11,287,427
Purchased services and other	6,703,306	6,059,369	5,848,122
Depreciation and amortization	<u>2,197,748</u>	<u>2,444,915</u>	<u>2,524,176</u>
Total operating expenses	<u>19,282,157</u>	<u>18,422,677</u>	<u>19,659,725</u>
Operating income	<u>1,138,740</u>	<u>792,461</u>	<u>239,968</u>
Nonoperating revenue and expenses:			
County subsidy	163,000	163,000	163,000
Investment income	112,177	93,081	74,039
Noncapital grants and contributions, primarily CARES Act Provider Relief Funds	2,156,034	--	--
Interest expense	<u>(376,243)</u>	<u>(399,611)</u>	<u>(415,645)</u>
Total nonoperating revenue (expenses), net	<u>2,054,968</u>	<u>(143,530)</u>	<u>(178,606)</u>
Excess of revenue over expenses before capital grants and contributions	3,193,708	648,931	61,362
Capital grants and contributions	<u>316,320</u>	<u>323,993</u>	<u>467,410</u>
Increase in net position	<u>\$ 3,510,028</u>	<u>972,924</u>	<u>528,772</u>



# Grundy County Memorial Hospital

## Management's Discussion and Analysis June 30, 2020 and 2019

---

### Operating Income

The first component of the overall change in the Hospital's net position is its operating income - the difference between net patient service revenue and the expenses incurred to perform those services. For the year ending June 30, 2018, the Hospital reported operating income of \$239,968; for the year ending June 30, 2019, the Hospital reported operating income of \$792,461; for the year ending June 30, 2020, the Hospital reported an operating income of \$1,138,740.

### **Year Ending June 30, 2019 to June 30, 2020:**

The primary components of the operating income of \$1,138,740 are:

- Inpatient and swing bed revenue increased \$122,954, 5.7% from June 30, 2019 to June 30, 2020 due to an increase in patient days. Acute days and swing days increased from 888 to 961, 8.2% between the years.
- Outpatient revenue decreased \$1,112,029, 3.3% from 2019 to 2020. This decrease is primarily due the impact of COVID-19 and the following areas:
  - Operating room revenue increased from \$6,009,091 in 2019 to \$6,176,308 in 2020, 2.8%.
  - Radiology revenue decreased from \$8,499,636 in 2019 to \$8,356,503 in 2020, \$143,133, 1.7%.
  - Lab billable tests decreased 10.0% from 2019 to 2020, \$210,650.
  - Therapy revenue decreased from 2019 to 2020 by \$145,823, 7.4%.
  - GCMH Clinic visits decreased from 1,032 visits to 930, 9.9%.
  - Observation patients decreased from 378 patients in 2019 to 291 patients in 2020, 23.0%.
  - Emergency Room visits decreased from 5,029 in 2019 to 4,719 in 2020, 6.2%, \$745,202.
- Increases in salary and benefit costs for the Hospital's Associates of \$462,710, 4.7%. FTEs increased from 2019 to 2020 by 4.16, 4.2%.

### **Year Ending June 30, 2018 to June 30, 2019:**

The primary components of the operating income of \$792,461 are:

- Inpatient and swing bed revenue (excluding LTC) decreased \$1,079,404, 33.5% from June 30, 2018 to June 30, 2019 due to a decrease in patient days. Acute days and swing days decreased from 1,259 to 888, 29.5% between the years. During 2018, total knee surgeries moved from the Medicare Inpatient only list so GCMH began performing total knee surgeries as an outpatient. For 2018 there were 22 inpatient total knee and 8 total hip surgeries while for 2019 there were 5 inpatient total knee and 10 total hip surgeries.
- Outpatient revenue increased \$3,187,903, 9.2% from 2018 to 2019. This increase is primarily due to:
  - Operating room revenue increased from \$4,087,285 in 2018 to \$6,009,091 in 2019, 47.0%. Outpatient total knees increased from 10 in 2018 to 44 in 2019. Other procedures and surgeries increased from 752 in 2018 to 1,015 in 2019, 35.0%.
  - Radiology revenue increased from \$8,462,337 in 2018 to \$8,499,636 in 2019, \$37,299, .5%.
  - Lab billable tests increased 8.1% from 2018 to 2019, \$465,939.
  - Therapy revenue increased from 2018 to 2019 by \$50,224, 2.6%.
  - Pharmacy revenue increased by \$682,198, 31.3% from 2018 to 2019.

## Grundy County Memorial Hospital

### Management's Discussion and Analysis June 30, 2020 and 2019

---

- GCMH Clinic visits increased from 918 visits to 1,032, 12.4%.
- Observation patients increased from 264 patients in 2018 to 378 patients in 2019, 43.2%.
- Emergency Room visits remained flat from 2018 of 5,051 to 5,029 for 2019.
- Long Term Care revenue decreased \$2,910,951 due to the transition of LTC to Creekside, Inc. as of April 16, 2018.
- GCMH has experienced an increase in provision for bad debt of \$108,022, 15.9% and an increase in charity care of \$14,022.
- Decreases in salary and benefit costs for the Hospital's Associates of \$105,441, .9%. FTEs decreased from 2018 to 2019 by 36.77, 26.9%.
- Increases in purchased services and other expenses of \$131,986, 1.6%. This increase is a result of increased physician fees including Emergency Department and CRNAs for the pain clinic.

#### Nonoperating Revenue and Expenses

Nonoperating revenue and expenses consist primarily of the county subsidy, investment income, noncapital grants and contributions, and interest expense.

#### **Capital Asset and Debt Administration**

##### Capital Assets

As of June 30, 2020, the Hospital had \$16,341,201 invested in capital assets, net of accumulated depreciation, as detailed in Note 5 to the financial statements. For the year ending June 30, 2020, the Hospital purchased capital assets costing \$647,631. Capital asset additions for the year ending June 30, 2019, the Hospital purchased capital assets costing \$726,091, and for the year ending June 30, 2018 were \$2,126,831.

Capital asset additions for 2020 relates to the purchase of a x-ray plate, dryers, HospitalPortal software, Versabadge system, Sterrad machine for Surgery, new flooring in the Emergency Department, LED lighting, and water heaters.

As of June 30, 2019, the Hospital had \$17,814,176 invested in capital assets, net of accumulated depreciation, as detailed in Note 5 to the financial statements. For the year ending June 30, 2019, the Hospital purchased capital assets costing \$726,091. Capital asset additions for the year ending June 30, 2018, the Hospital purchased capital assets costing \$2,126,831, and for the year ending June 30, 2017 were \$7,368,934.

Capital asset additions for 2019 relates to an upgrade to the general x-ray room equipment and finishes, renovations of several doors to allow for bariatric wheelchairs and door openers, an ABI machine and holter monitors for Radiology, hematology analyzer for the Lab, along with a suction machine and ultrasound for Surgery.

##### Debt

The Hospital entered into a construction commitment for the Modernization Project, Phase II. To finance the project, on July 28, 2009, the Hospital entered into a loan agreement with Grundy County, Iowa through an issuance of General Obligation Urban Renewal Notes, Series 2009, in the amount of \$16,020,000. The proceeds of the notes were also used to refund the existing Series 2004 Hospital Revenue Bonds. The Hospital has pledged future net revenues of the Hospital to pay for this loan. Interest is paid semi-annually with a varying rate between 4.25% and 4.75%. The first interest payment was June 2010 and the first principal payment was June 2011. During FY 2016, GCMH worked with Grundy County to do an Advanced Refunding on allowing GCMH to utilize interest savings for the life of the borrowing. This loan agreement with Grundy County is through June 2029 with rates between 2.00% and 3.25%.

## **Grundy County Memorial Hospital**

### **Management's Discussion and Analysis June 30, 2020 and 2019**

---

The Hospital has entered into a construction commitment for the Modernization Project, Phase III. To help finance this project in addition to contributing cash to the project, the Hospital entered into another loan agreement with Grundy County, Iowa through an issuance of General Obligation Urban Renewal Notes, Series 2016A, in the amount of \$4,810,000. The Hospital has pledged future net revenues of the Hospital to pay for this loan. Interest is paid semi-annually with a varying rate between 1.50% and 2.55%.

On October 10, 2016, the Hospital entered into a rural development loan agreement with Grundy County Rural Electric Cooperative in the amount of \$360,000 to provide additional funds for the Modernization Project, Phase III. The Hospital has pledged future net revenues to repay the loan. The loan is payable in annual installments of \$36,000, without interest beginning June 1, 2017.

The Hospital was granted a \$1,750,000 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The Hospital is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements.

#### **Contacting the Hospital's Financial Management**

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the Hospital's finances and to demonstrate the Hospital's accountability. If you have questions about this report or need additional financial information, contact the Hospital Administration Office, at 201 East J Avenue, Grundy Center, IA 50638.

# Grundy County Memorial Hospital

## Statements of Net Position June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 17,464,652	10,655,623
Assets limited as to use or restricted, current portion	154,477	315,275
Receivables -		
Patient, net of allowance for doubtful accounts		
of \$759,805 in 2020 and \$787,729 in 2019	1,817,952	1,944,990
Succeeding year County subsidy	263,000	263,000
Other receivables	98,634	3,910
Inventories	242,442	254,616
Prepaid expenses	281,382	174,387
	<u>20,322,539</u>	<u>13,611,801</u>
Total current assets		
	20,322,539	13,611,801
Assets limited as to use or restricted, less amounts required for current obligations	2,900,830	2,700,358
Capital assets, net	<u>16,341,201</u>	<u>17,814,176</u>
Total assets	39,564,570	34,126,335
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred amounts on advance refunding	<u>917,864</u>	<u>1,028,562</u>
Total assets and deferred outflows of resources	<u>\$ 40,482,434</u>	<u>35,154,897</u>
<b>LIABILITIES</b>		
Current liabilities:		
Current maturities of long-term debt	\$ 2,063,195	1,361,000
Accounts payable -		
Trade	1,995,524	1,428,971
Capital related	12,454	165,894
Accrued expenses -		
Accrued salaries, wages and vacation payable	1,015,646	810,351
Payroll taxes	59,394	47,777
Interest	31,781	31,315
Estimated third-party payor settlements	468,414	1,532,542
Refundable advance - CARES Act Provider Relief Funds	<u>1,887,962</u>	<u>--</u>
Total current liabilities	7,534,370	5,377,850
Long-term debt, net of current maturities	<u>13,405,784</u>	<u>13,744,795</u>
Total liabilities	<u>20,940,154</u>	<u>19,122,645</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable County subsidy revenue	<u>263,000</u>	<u>263,000</u>
<b>NET POSITION</b>		
Net investment in capital assets	2,609,768	2,542,487
Restricted - expendable for debt service	142,023	149,381
Unrestricted	<u>16,527,489</u>	<u>13,077,384</u>
Total net position	<u>19,279,280</u>	<u>15,769,252</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 40,482,434</u>	<u>35,154,897</u>

See notes to the financial statements

# **Grundy County Memorial Hospital**

## **Statements of Revenue, Expenses and Changes in Net Position For the Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
OPERATING REVENUE:		
Net patient service revenue before provision for bad debt	\$ 20,817,325	19,736,552
Provision for bad debts	<u>(582,257)</u>	<u>(697,970)</u>
Net patient service revenue	20,235,068	19,038,582
Other operating revenue	<u>185,829</u>	<u>176,556</u>
Total operating revenue	<u>20,420,897</u>	<u>19,215,138</u>
OPERATING EXPENSES:		
Salaries	8,156,466	7,571,373
Employee benefits	2,224,637	2,347,020
Purchased services and professional fees	3,251,863	2,839,709
Utilities	314,690	330,842
Supplies and other expenses	3,009,345	2,769,939
Depreciation and amortization	2,197,748	2,444,915
Insurance	<u>127,408</u>	<u>118,879</u>
Total operating expenses	<u>19,282,157</u>	<u>18,422,677</u>
OPERATING INCOME	<u>1,138,740</u>	<u>792,461</u>
NONOPERATING REVENUE (EXPENSES), NET:		
Investment income	112,177	93,081
Interest expense	(376,243)	(399,611)
Noncapital grants and contributions, primarily CARES Act		
Provider Relief Funds	2,156,034	--
County subsidy	<u>163,000</u>	<u>163,000</u>
Nonoperating revenue (expenses), net	<u>2,054,968</u>	<u>(143,530)</u>
EXCESS OF REVENUE OVER EXPENSES BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	3,193,708	648,931
CAPITAL GRANTS AND CONTRIBUTIONS	<u>316,320</u>	<u>323,993</u>
INCREASE IN NET POSITION	3,510,028	972,924
NET POSITION, Beginning of year	<u>15,769,252</u>	<u>14,796,328</u>
NET POSITION, End of year	<u>\$ 19,279,280</u>	<u>15,769,252</u>

*See notes to financial statements*

# Grundy County Memorial Hospital

## Statements of Cash Flows

For the Years Ended June 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from patients and third-party payors	\$ 19,297,978	19,517,302
Cash paid for employee salaries and benefits	(10,164,191)	(9,879,800)
Cash paid to suppliers and contractors	(6,231,574)	(5,328,538)
Other receipts and payments, net	98,845	227,099
Net cash provided by operating activities	3,001,058	4,536,063
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Noncapital grants and contributions, primarily CARES Act Provider Relief Funds	2,156,034	--
Refundable advance - CARES Act Provider Relief Funds	1,887,962	--
County subsidy received	163,000	163,000
Net cash provided by noncapital financing activities	4,206,996	163,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	(801,071)	(609,950)
Proceeds from sale of capital assets	--	5,028
County subsidy received for capital acquisitions	100,000	100,000
Capital grants and contributions	216,320	223,993
Proceeds from issuance of long term debt	1,750,000	--
Payments on long term debt	(1,361,000)	(1,336,000)
Interest paid on debt	(375,777)	(401,777)
Net cash used in capital and related financing activities	(471,528)	(2,018,706)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Deposits to assets limited to use, net	(39,674)	(296,230)
Investment income, net	112,177	93,081
Net cash provided by (used in) investing activities	72,503	(203,149)
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,809,029	2,477,208
CASH AND CASH EQUIVALENTS, beginning of year	10,655,623	8,178,415
CASH AND CASH EQUIVALENTS, end of year	\$ 17,464,652	10,655,623

See notes to financial statements

## Grundy County Memorial Hospital

### Statements of Cash Flows (Continued) For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING RECEIVABLES:		
Operating income	\$ 1,138,740	792,461
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	2,197,748	2,444,915
Loss on disposal of capital assets	7,740	42,728
(Increase) decrease in current assets -		
Receivables -		
Patient	127,038	(46,539)
Other	(94,724)	7,815
Inventories	12,174	6,602
Prepaid expenses	(106,995)	(66,110)
Increase (decrease) in current liabilities -		
Accounts payable	566,553	790,339
Accrued salaries, wages and vacation payable	205,295	38,328
Payroll taxes	11,617	265
Estimated third-party payor settlements	<u>(1,064,128)</u>	<u>525,259</u>
Net cash provided by operating activities	<u>\$ 3,001,058</u>	<u>4,536,063</u>

*See notes to financial statements*

# Grundy County Memorial Hospital

## Notes to Financial Statements June 30, 2020 and 2019

---

### (1) Organization and Summary of Significant Accounting Policies

The Hospital is a 25-bed public hospital located in Grundy Center, Iowa, organized under Chapter 37 of the Iowa Code and governed by a 7 to 11 member Board of Commissioners elected for alternating terms of three years.

The following is a summary of significant accounting policies of Grundy County Memorial Hospital (Hospital). These policies are in accordance with accounting principles generally accepted in the United States of America.

#### A. *Reporting Entity*

For financial reporting purposes, the Hospital has included all the funds of the Hospital, specifically all assets, deferred inflows and outflows of resources, liabilities, revenue, and expenses over which the Hospital's governing board exercises oversight responsibility. The Hospital has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Hospital are such that exclusion would cause the Hospital's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Hospital to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Hospital. The Hospital has no component units required to be reported in accordance with the Governmental Accounting Standards Board criteria.

#### B. *Industry Environment*

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursements for patient services, and Medicare and Medicaid fraud and abuse. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Management believes that the Hospital is in compliance with applicable government laws and regulations as they apply to the areas of fraud and abuse. While no regulatory inquiries have been made which are expected to have a material effect on the Hospital's financial statements, compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies of many countries. The healthcare industry has experienced volume declines due to the pandemic. See Note 8 regarding the Coronavirus Aid Relief and Economic Security (CARES) Act.

#### C. *Basis of Presentation*

The statements of net position display the Hospital's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the differences reported as net position. Net position is reported in three categories:



# Grundy County Memorial Hospital

## Notes to Financial Statements June 30, 2020 and 2019

---

Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted – Expendable – This component results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted – This component consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

When both restricted and unrestricted resources are available for use, generally it is the Hospital's policy to use restricted net position first.

### *D. Measurement Focus and Basis of Accounting*

Measurement focus refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying basic financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenue is recognized when earned and expenses are recognized when the liability is incurred.

### *E. Use of Estimates*

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

### *F. Cash and Cash Equivalents*

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding amounts limited as to use by the Board of Commissioners and under loan agreements.

### *G. Assets Limited as to Use or Restricted*

Assets limited as to use or restricted includes the following:

By Board of Commissioners - Periodically, the Hospital's Board of Commissioners has set aside assets for future capital improvements and equipment. The Board retains control over these funds and may, at its discretion, subsequently use them for other purposes.

Under Loan Agreements - These funds are used for the payment of principal and interest on the Series 2015 and Series 2016A Bonds and to provide funds for the construction of the addition to and remodeling of the existing Hospital facilities as follows:

Sinking Fund – Established for the monthly deposit by the Hospital of 1/12th of the next annual principal payment and 1/6th of the next semi-annual interest payment.

# Grundy County Memorial Hospital

## Notes to Financial Statements June 30, 2020 and 2019

---

### *H. Patient Receivables, Net*

Net patient receivables are uncollateralized customer and third-party payor obligations. Unpaid patient receivables are not assessed interest.

Payments of patient receivables are allocated to the specific claim identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

The carrying amount of patient receivables is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected from patients and third-party payors. Management reviews patient receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provision. The Hospital also maintains a charity care policy as described in Note 1R.

### *I. County Subsidy Receivable*

County subsidy receivable is recognized on the budget approval date, which is the date that the budget is certified by the County Board of Supervisors. The succeeding year county subsidy receivable represents subsidies certified by the County Board of Supervisors to be granted in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Commissioners is required to certify the budget in March of each year for the subsequent fiscal year.

However, by statute, the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year county subsidy receivable has been reported, the related revenue is deferred and will not be recognized as revenue until the year for which it is granted.

### *J. Inventory*

Inventories are stated at historical cost determined by the first-in, first-out method.

### *K. Capital Assets*

Capital asset acquisitions in excess of \$5,000 are capitalized and recognized at cost. Capital assets donated for Hospital operations are recognized at their estimated fair value at the date of receipt. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method.

Useful lives are determined using guidelines from the American Hospital Association Guide for Estimated Useful Lives of Depreciable Hospital Assets. Lives range by capital asset classification as follows:

Land improvements	10 to 50 years
Buildings	10 to 50 years
Major moveable equipment	3 to 25 years
Vehicles	4 years

Gifts of capital assets with explicit restrictions that specify how the assets are to be used and gifts of cash that must be used to acquire capital assets are reported as capital grants and contributions.

# Grundy County Memorial Hospital

## Notes to Financial Statements June 30, 2020 and 2019

---

### *L. Deferred Outflows of Resources*

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) which will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consists of unamortized deferred amounts on the refinancing of debt.

### *M. Compensated Absences*

Hospital associates accumulate a limited amount of earned, but unused vacation hours for subsequent use or for payment upon termination, death, or retirement. The cost of vacation is recognized as a current liability on the statements of net position. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2020 and 2019.

### *N. Refundable Advances - CARES Act Provider Relief Funds*

The Hospital has received CARES Act Provider Relief payments which require certain terms and conditions. The Hospital classifies the receipts as refundable advances until the terms and conditions are met to recognize the receipts as revenue. At June 30, 2020 the Hospital recognized a refundable advance related to a portion of the receipts for which the terms and conditions had not yet been met. See Note 8 for a description of the funding recognized as revenue.

### *O. Deferred Inflows of Resources*

Deferred inflows of resources represent an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources in the statements of net position consist of unavailable county subsidy revenue that will not be recognized as revenue until the year for which it was granted or billed.

### *P. Statements of Revenue, Expenses and Changes in Net Position*

For purposes of display, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operating revenue and expenses. County and other subsidies granted to finance the current year are reported as non-operating revenue and peripheral or incidental transactions are reported as non-operating revenue and expenses.

### *Q. 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, reimbursed costs and discounted charges. 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 and a provision for uncollectible accounts. 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.

### *R. Charity Care*

To fulfill its mission of community service, 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. Revenue from services to these patients and residents is automatically recorded in the accounting system at the established rates, but the Hospital does not pursue collection of these amounts. The resulting adjustments are recorded as adjustments to patient service revenue, depending on the timing of the charity determination.

# Grundy County Memorial Hospital

## Notes to Financial Statements June 30, 2020 and 2019

---

### S. *Grants and Contributions*

From time to time, the Hospital receives contributions from Grundy County Memorial Hospital Foundation, as well as grants and contributions from individuals and private organizations. Revenue 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 revenue. Amounts restricted for capital acquisitions are reported after nonoperating revenue and expenses.

### T. *Recent Accounting Pronouncements*

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases*. The standard implements a single approach to accounting for leases. Lessees will be required to recognize a lease liability, measured at the present value of expected payments net of incentives, and an intangible right-to-use asset for all leases with terms of greater than 12 months. As payments are made, lessees will reduce the liability and recognize interest expense. Lease terms will include options to extend or terminate leases if it is reasonably certain that those options will be exercised. In May 2020, GASB issued Statement No. 95, *Postponed Effective Dates of Certain Authoritative Guidance*. The standard postpones the effective date of GASB Statement No. 87 for 18 months to reporting periods beginning after June 15, 2021. The Hospital is currently evaluating the effect the new standard will have on the financial statements.

### U. *Subsequent Events*

The Hospital considered events occurring through January 8, 2021 for recognition or disclosure in the financial statements as subsequent events. That date is the date the financial statements were available to be issued.

## (2) **Deposits, Investments, and Assets Limited as to Use or Restricted**

The Hospital's deposits in banks at June 30, 2020 and 2019 were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Hospital is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Commissioners; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts, and warrants or improvement certificates of a drainage district.

The Hospital's investments are categorized to give an indication of the level of risk assumed by the Hospital at year end. The Hospital uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. The Hospital's investments are all category 1 which means that the investments are insured or registered or the securities are held by the Hospital or its agent in the Hospital's name. The Hospital had no other investments meeting the disclosure requirements of Government Accounting Standards Board Statement No. 72 at June 30, 2020 and 2019.

**Custodial Credit Risk:** Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits. The Hospital's investment policy for custodial credit risk mirrors requirements set forth by the Code of Iowa.

# Grundy County Memorial Hospital

## Notes to Financial Statements June 30, 2020 and 2019

**Interest Rate Risk:** The Hospital's investment policy allows for the investment of funds with varying maturities as a means of managing its exposure to fair value losses arising from changes in interest rates, so long as the maturities are consistent with the needs and uses of the Hospital's funds.

The composition of assets limited as to use or restricted at June 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
<u><b>By Board for Capital Improvements</b></u>		
Money market accounts	\$ 902,434	895,223
Certificates of deposit	<u>2,010,850</u>	<u>1,971,029</u>
Total by board for capital improvements	2,913,284	2,866,252
<u><b>Under Loan Agreements</b></u>		
Sinking Fund, cash and money market accounts	<u>142,023</u>	<u>149,381</u>
Total assets limited as to use or restricted	3,055,307	3,015,633
Less amounts required for current obligations	<u>(154,477)</u>	<u>(315,275)</u>
	<u>\$ 2,900,830</u>	<u>2,700,358</u>

Investment return, including return on assets limited as to use or restricted, for the years ended June 30, 2020 and 2019 is included in investment income on the statements of revenue, expenses and changes in net position.

### (3) Net Patient Service Revenue

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

**Medicare** - Inpatient acute care services rendered to Medicare program beneficiaries in a Critical Access Hospital are paid based on Medicare defined costs of providing the services. Inpatient nonacute services and certain outpatient services 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 Medicare cost reports have been audited by the Medicare Administrative Contractor through June 30, 2019.

The "Budget Control Act of 2011" required, among other things, mandatory across-the-board reductions in Federal spending, also known as sequestration. In general, Medicare claims with dates of service or dates of discharge on or after April 1, 2013 incur a two percent reduction in Medicare payment. The CARES Act has currently suspended this sequestration from May 1, 2020 to December 31, 2020. The Consolidated Appropriations Act, 2021 extended this suspension through March 31, 2021.

**Medicaid** - Inpatient acute services and outpatient services rendered to Medicaid program beneficiaries in a Critical Access Hospital are paid based on Medicaid defined costs of providing the services. The Hospital is reimbursed for cost reimbursable items at tentative rates with final settlement determined after submission of annual cost reports by the Hospital. Effective April 1, 2016, most existing Iowa Medicaid members were enrolled in IA Health Link. IA Health Link brings together physical, behavioral and long-term care under one program across Iowa which is covered by managed care organizations. The Hospital will be reimbursed by these managed care organizations under the prospective payment method.

# Grundy County Memorial Hospital

## Notes to Financial Statements June 30, 2020 and 2019

The Hospital has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to the Hospital under these agreements may include prospectively determined rates and discounts from established charges.

A summary of patient service revenue and contractual adjustments for the years ended June 30, 2020 and 2019 is as follows:

	<b>2020</b>	<b>2019</b>
Gross patient service revenue:		
Hospital -		
Inpatient	\$ 1,314,668	1,435,156
Outpatient	33,779,597	34,871,626
Swingbed	952,825	709,383
Nursing Home	--	(3,688)
	<u>36,047,090</u>	<u>37,012,477</u>
Contractual adjustments:		
Medicare	(4,598,206)	(5,969,777)
Medicaid	(2,909,332)	(3,147,257)
Other	(7,587,606)	(8,055,837)
Charity care services	(134,621)	(103,054)
	<u>(15,229,765)</u>	<u>(17,275,925)</u>
Net patient service revenue before provision for bad debts	\$ <u>20,817,325</u>	<u>19,736,552</u>

Revenue from the Medicare and Medicaid programs accounted for approximately 46% and 6%, respectively, of the Hospital's net patient revenue for the year ended June 30, 2020, and 43% and 7%, respectively, of the Hospital's net patient revenue for the year ended June 30, 2019. 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. The 2020 net patient service revenue increased approximately \$1,410,000 and the 2019 net patient service revenue increased approximately \$358,000, due to removal of allowances that are no longer necessary as a result of final settlements and years that are no longer subject to audits, reviews or investigations.

### (4) Composition of Patient Receivables

Patient receivables as of June 30, 2020 and 2019 consist of the following:

	<b>2020</b>	<b>2019</b>
Patient accounts	\$ 4,077,943	4,518,616
Less allowance for doubtful accounts	(759,805)	(787,729)
Less estimated third-party contractual adjustments	(1,500,186)	(1,785,897)
	<u>\$ 1,817,952</u>	<u>1,944,990</u>

The Hospital grants credits without collateral to its patients, most of who are insured under third-party payor agreements. The mix of receivables from patients and third-party payors was as follows:

	<b>2020</b>	<b>2019</b>
Medicare	34%	28%
Medicaid	6	7
Commercial insurance	42	42
Patients	18	23
	<u>100%</u>	<u>100%</u>

# Grundy County Memorial Hospital

## Notes to Financial Statements June 30, 2020 and 2019

### (5) Capital Assets

Capital assets and the related accumulated depreciation as of and for the years ending June 30, 2020 and 2019 is summarized as follows:

	June 30, 2019	Additions	Transfers and Disposals	June 30, 2020
Capital assets, not being depreciated:				
Land	\$ 443,831	--	--	443,831
Construction in progress	23,511	48,176	(18,971)	52,716
Total capital assets, not being depreciated	467,342	48,176	(18,971)	496,547
Capital assets, being depreciated:				
Land improvements	265,828	10,350	13,368	289,546
Buildings	28,944,313	282,335	(2,413)	29,224,235
Major moveable equipment	11,027,809	306,770	(418,843)	10,915,736
Vehicles	23,434	--	--	23,434
Total capital assets, being depreciated	40,261,384	599,455	(407,888)	40,452,951
Less accumulated depreciation:				
Land improvements	170,598	7,926	--	178,524
Buildings	14,353,299	1,254,818	(8,016)	15,600,101
Major moveable equipment	8,381,865	844,263	(411,103)	8,815,025
Vehicles	8,788	5,859	--	14,647
Total accumulated depreciation	22,914,550	2,112,866	(419,119)	24,608,297
Total capital assets, being depreciated, net	17,346,834	(1,513,411)	11,231	15,844,654
Total capital assets, net	\$ 17,814,176	(1,465,235)	(7,740)	16,341,201
	June 30, 2018	Additions	Transfers and Disposals	June 30, 2019
Capital assets, not being depreciated:				
Land	\$ 443,831	--	--	443,831
Construction in progress	82,924	2,664	(62,077)	23,511
Total capital assets, not being depreciated	526,755	2,664	(62,077)	467,342
Capital assets, being depreciated:				
Land improvements	184,090	81,738	--	265,828
Buildings	28,722,614	191,622	30,077	28,944,313
Major moveable equipment	10,789,224	450,067	(211,482)	11,027,809
Vehicles	23,434	--	--	23,434
Total capital assets, being depreciated	39,719,362	723,427	(181,405)	40,261,384
Less accumulated depreciation:				
Land improvements	165,307	5,291	--	170,598
Buildings	13,057,629	1,295,670	--	14,353,299
Major moveable equipment	7,524,377	1,053,214	(195,726)	8,381,865
Vehicles	2,929	5,859	--	8,788
Total accumulated depreciation	20,750,242	2,360,034	(195,726)	22,914,550
Total capital assets, being depreciated, net	18,969,120	(1,636,607)	14,321	17,346,834
Total capital assets, net	\$ 19,495,875	(1,633,943)	(47,756)	17,814,176

# Grundy County Memorial Hospital

## Notes to Financial Statements June 30, 2020 and 2019

### (6) Long-Term Debt

Long-term debt activity of the Hospital as of and for the years ending June 30, 2020 and 2019 consisted of the following:

	June 30, 2019	Borrowings	Payments / Amortization	June 30, 2020	Due Within One Year
Rural Development Loan (A)	\$ 252,000	--	(36,000)	216,000	36,000
General Obligation Urban Renewal Refunding Bonds (B)	10,895,000	--	(950,000)	9,945,000	970,000
General Obligation Urban Renewal Bonds (C)	3,725,000	--	(375,000)	3,350,000	385,000
Note Payable - Paycheck Protection Program Loan (D)	--	1,750,000	--	1,750,000	672,195
	14,872,000	1,750,000	(1,361,000)	15,261,000	2,063,195
Unamortized bond premium	233,795	--	(25,816)	207,979	--
	<u>\$ 15,105,795</u>	<u>1,750,000</u>	<u>(1,386,816)</u>	<u>15,468,979</u>	<u>2,063,195</u>

  

	June 30, 2018	Borrowings	Payments / Amortization	June 30, 2019	Due Within One Year
Rural Development Loan (A)	\$ 288,000	--	(36,000)	252,000	36,000
General Obligation Urban Renewal Refunding Bonds (B)	11,825,000	--	(930,000)	10,895,000	950,000
General Obligation Urban Renewal Bonds (C)	4,095,000	--	(370,000)	3,725,000	375,000
	16,208,000	--	(1,336,000)	14,872,000	1,361,000
Unamortized bond premium	259,611	--	(25,816)	233,795	--
	<u>\$ 16,467,611</u>	<u>--</u>	<u>(1,361,816)</u>	<u>15,105,795</u>	<u>1,361,000</u>

- (A) On October 10, 2016, the Hospital entered into a rural development loan agreement with Grundy County Rural Electric Cooperative in the amount of \$360,000 to provide additional funds for the construction of, additions to, and remodeling of the existing Hospital facilities. The Hospital has pledged future net revenues to repay the loan. The loan is payable in annual installments of \$36,000, without interest, through June 1, 2026.
- (B) On October 19, 2015, the Hospital entered into a loan agreement with Grundy County, Iowa relating to an issuance of General Obligation Urban Renewal Refunding Bonds, Series 2015, in the amount of \$14,640,000. The proceeds of the bonds were used to advance refund \$12,970,000 of General Obligation Urban Renewal Capital Loan Notes, Series 2009. Principal is paid annually and interest is paid semi-annually with a varying rate between 2.00% and 3.25%, through June 1, 2029.

The advance refunding resulted in a \$1,439,064 difference between the reacquisition price and the net carrying amount of the Series 2009 debt. The difference is shown in the statements of net position as a deferred outflow of resources and is being amortized using the straight-line method through fiscal year 2029. The outstanding balance of the deferred amount is \$917,864 as of June 30, 2020.

- (C) On June 7, 2016, the Hospital entered into a loan agreement with Grundy County, Iowa relating to an issuance of General Obligation Urban Renewal Bonds, Series 2016A, in the amount of \$4,810,000. The proceeds of the bonds were used to finance the construction of improvements and additions to the existing space within the Hospital. Principal is paid annually and interest is paid semi-annually with a varying rate between 1.50% and 2.55%, through June 1, 2028.



# Grundy County Memorial Hospital

## Notes to Financial Statements June 30, 2020 and 2019

- (D) The Hospital was granted a \$1,750,000 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Hospital is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Hospital has initially recorded the PPP loan as a note payable and will record the forgiveness if legally released from the loan obligation by the SBA. Proceeds from the loan are eligible for forgiveness if they are used for certain payroll, rent, and utility expenses. The Hospital will be required to repay any remaining balance, plus interest accrued at 1%, in monthly installments commencing upon the notification of loan forgiveness or partial forgiveness. Current note terms require monthly principal and interest payments of \$98,503 commencing December 6, 2020.

Annual debt service requirements related to the Hospital's bonds and direct borrowings are as follows:

Year	Bonds		Direct Borrowings		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 1,355,000	349,278	708,195	17,327	2,063,195	366,605
2022	1,390,000	322,178	1,113,805	5,350	2,503,805	327,528
2023	1,430,000	291,878	36,000	--	1,466,000	291,878
2024	1,470,000	258,415	36,000	--	1,506,000	258,415
2025	1,515,000	222,690	36,000	--	1,551,000	222,690
2026-2029	6,135,000	456,113	36,000	--	6,171,000	456,113
	<u>\$ 13,295,000</u>	<u>1,900,552</u>	<u>1,966,000</u>	<u>22,677</u>	<u>15,261,000</u>	<u>1,923,229</u>

Under the terms of the Loan Agreements and the Series 2015 and Series 2016A Bonds, the Hospital is required to maintain certain funds which are included in assets limited as to use or restricted in the accompanying financial statements.

### (7) Other Operating Revenue

Other operating revenue for the years ended June 30, 2020 and 2019, consisted of the following:

	2020	2019
Clinic rent and other	\$ 69,619	81,688
Cafeteria and vending	56,130	60,458
Grants	--	2,635
Miscellaneous	67,820	74,503
Loss on disposal of capital assets	(7,740)	(42,728)
	<u>\$ 185,829</u>	<u>176,556</u>

### (8) Noncapital Grants and Contributions

Noncapital grants and contributions for the years ended June 30, 2020 and 2019 consisted of the following:

	2020	2019
CARES Act Provider Relief Funds	\$ 2,055,120	--
Iowa Department of Public Health grants	92,628	--
Iowa Hospital Association grants	7,958	--
Small Hospital Improvement Program Funds	328	--
	<u>\$ 2,156,034</u>	<u>--</u>

# Grundy County Memorial Hospital

## Notes to Financial Statements June 30, 2020 and 2019

---

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law that provides \$175 billion in relief funds to hospitals and other healthcare providers on the front line of the coronavirus response. This funding is to be used to support healthcare-related expenses or lost revenue attributable to the coronavirus and to ensure uninsured patients can get testing and treatment for the coronavirus. A portion of the funds was distributed to eligible providers beginning April 10, 2020 and a targeted distribution was made on May 3, 2020. The funds represent a stimulus grant which requires certain terms and conditions. Total CARES Act Provider Relief Funds advanced to the Hospital through June 30, 2020 was \$3,943,082. The Hospital recognized a portion of the funds in noncapital grants and contributions based on lost revenue and healthcare related expenses attributable to coronavirus through June 30, 2020. The remaining funds are reported as a refundable advance at June 30, 2020 and will be recognized as noncapital grants and contributions when the terms and conditions of the funds are met.

In January 2021, the Hospital will be required to submit documentation to the Department of Health and Human Services (HHS) and attest how it earned the provider relief funds in accordance with the applicable terms and conditions. HHS continues to provide clarification for provider relief fund usage, which could impact the amounts previously recognized as noncapital grants and contributions as well as amounts recognized in the future. Management continues to evaluate and await further clarifications from HHS; this clarification and any future changes by HHS could have a material impact on the financial statements in the future.

### (9) Retirement Benefits

The Hospital's associates are leased employees of Allen Health System. As a result, the associates participate in Allen Health System's defined contribution 401K plan. Participants may make pre-tax contributions from 1% to 20% of eligible salaries. The Hospital contributes 2% of participants' eligible salaries and matches up to 50% on the first 6% of participants' contributions. Retirement plan expense for the years ended June 30, 2020 and 2019 was \$359,932 and \$307,181, respectively.

### (10) Operating Subsidy

Effective January 1, 1998, the Hospital entered into an operating agreement with UnityPoint Health (Allen Hospital). Under this agreement, the Board of Commissioners of Grundy County Memorial Hospital (Hospital Commission) and Allen Hospital will jointly exercise certain powers of the Hospital Commission to operate the Hospital and share in the risk and benefits of operation. Included in the statements of revenue, expenses and changes in net position as a result of this agreement are amounts due to Allen Hospital as of June 30, 2020 and 2019 of \$1,039,574 and \$435,580, respectively.

### (11) Commitments under Noncancellable Operating Leases

The Hospital leases certain office space and equipment under noncancellable operating lease agreements. Total lease expense for the years ended June 30, 2020 and 2019 for all operating leases was \$455,840 and \$465,952, respectively.

The following is a schedule by year of future minimum lease payments under operating leases as of June 30, 2020 that have initial or remaining lease terms in excess of one year:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 330,399
2022	248,900
2023	248,900

# Grundy County Memorial Hospital

## Notes to Financial Statements June 30, 2020 and 2019

---

### (12) Hospital Risk Management

The Hospital is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to associates; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Hospital assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

The Hospital's leased employees participate in UnityPoint Health's Self-Funded Health Plan (Plan). The Plan's members include all employees of UnityPoint Health. The Hospital contributes monthly to the Plan. The Hospital's contributions to the Plan during the years ended June 30, 2020 and 2019 were \$1,197,596 and \$1,265,193, respectively. Stop-loss coverage is provided through a commercial insurance company.

The Hospital also participates in Allen Health System's Self-Funded Worker's Compensation Plan. The Worker's Compensation Plan also has stop-loss coverage through a commercial insurance company.

### (13) Professional Liability Insurance

The Hospital carries a professional liability policy (including malpractice) providing coverage of \$1,000,000 for injuries per occurrence and \$3,000,000 aggregate coverage. In addition, the Hospital carries an umbrella policy which also provides \$4,000,000 per occurrence and aggregate coverage. These policies provide coverage on a claims-made basis covering only those claims which have occurred and are reported to the insurance company while the coverage is in force. In the event the Hospital should elect not to purchase insurance from the present carrier or the carrier should elect not to renew the policy, any unreported claims which occurred during the policy year may not be recoverable from the carrier.

Accounting principles generally accepted in the United States of America require a healthcare provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Hospital's claims experience, no such accrual has been made.

### (14) Foundation

Grundy County Memorial Hospital Foundation (Foundation) was established to raise funds exclusively for the benefit of the Hospital. All funds raised, except funds required for the operations of the Foundation, will be distributed to or be held for the benefit of the Hospital as required to comply with the purposes specified by donors. Management has determined that the economic resources received from or held by the Foundation are not significant to the Hospital. Therefore the Foundation is not reported as a component unit of the Hospital.

A summary of the Foundation's assets, liabilities and net position as of June 30, 2020 and 2019 follows:

	<b>(Unaudited)</b>	
	<b>2020</b>	<b>2019</b>
Assets	\$ 1,257,363	1,215,423
Net assets	\$ 1,257,363	1,215,423

The Hospital received \$216,320 and \$215,596 from the Foundation during the years ended June 30, 2020 and 2019, respectively, for the purchase of property and equipment related to the Hospital's Facility Modernization Project. As of June 30, 2020, the Foundation has approximately \$13,000 of pledges receivable resulting from their annual campaign.

## Grundy County Memorial Hospital

### Budgetary Comparison Schedule of Revenue, Expenses and Changes in Net Position Budget and Actual (Cash Basis) Required Supplementary Information For the Year Ended June 30, 2020

	<u>Accrual Basis</u>		<u>Cash Basis</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>General</u>	<u>Accrual Adjustments</u>			
Estimated amount to be raised by taxation	\$ 263,000	--	263,000	263,000	--
Estimated other revenues / receipts	<u>22,905,428</u>	<u>2,613,888</u>	<u>25,519,316</u>	<u>22,365,800</u>	<u>3,153,516</u>
	23,168,428	2,613,888	25,782,316	22,628,800	3,153,516
Expenses / Disbursements	<u>19,658,400</u>	<u>(724,787)</u>	<u>18,933,613</u>	<u>22,038,100</u>	<u>3,104,487</u>
Net	3,510,028	3,338,675	6,848,703	590,700	\$ <u>6,258,003</u>
Balance beginning of year	<u>15,769,252</u>	<u>(2,097,996)</u>	<u>13,671,256</u>	<u>12,182,718</u>	
Balance end of year	\$ <u>19,279,280</u>	<u>1,240,679</u>	<u>20,519,959</u>	<u>12,773,418</u>	

*See accompanying independent auditor's report*

This budgetary comparison is presented as Required Supplementary Information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary prospective differences resulting from the Hospital preparing a budget on the cash basis of accounting.

The Board of Commissioners annually prepares and adopts a budget designating the amount necessary for the improvement and maintenance of the Hospital on the cash basis following required public notice and hearing in accordance with Chapters 24 and 347 of the Code of Iowa. The Board of Commissioners certifies the approved budget to the appropriate county auditors. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Formal and legal budgetary control is based on total expenditures.

For the year ended June 30, 2020, the Hospital's expenditures did not exceed the amount budgeted.

# Grundy County Memorial Hospital

Exhibit 1

## Net Patient Service Revenue For the Years Ended June 30, 2020 and 2019

	2020				2019			
	Inpatient	Outpatient	Swing Bed	Total	Inpatient	Outpatient	Swing Bed	Total
<b>NURSING SERVICES:</b>								
Adult and pediatric	\$ 357,362	278,440	--	635,802	429,137	314,404	--	743,541
Swing bed	--	--	498,967	498,967	--	--	386,987	386,987
Observation	--	363,547	--	363,547	--	407,574	--	407,574
Hospitality	7,272	--	--	7,272	7,575	--	--	7,575
Long term care	--	--	--	--	(3,688)	--	--	(3,688)
	<u>364,634</u>	<u>641,987</u>	<u>498,967</u>	<u>1,505,588</u>	<u>433,024</u>	<u>721,978</u>	<u>386,987</u>	<u>1,541,989</u>
<b>OTHER PROFESSIONAL SERVICES:</b>								
Emergency and outpatient service	52,320	7,699,506	587	7,752,413	65,919	8,444,708	--	8,510,627
Radiology	93,258	6,500,810	28,523	6,622,591	77,941	6,582,578	7,859	6,668,378
Operating and recovery rooms	238,414	4,891,792	--	5,130,206	218,404	4,544,979	--	4,763,383
Laboratory	72,665	3,594,082	53,192	3,719,939	93,581	3,804,732	39,883	3,938,196
Pharmacy	270,321	2,958,403	127,852	3,356,576	231,106	2,860,930	85,062	3,177,098
Physical therapy	18,723	1,599,110	120,142	1,737,975	27,897	1,743,893	91,858	1,863,648
Mobile services	2,251	1,437,632	2,143	1,442,026	15,663	1,400,063	--	1,415,726
Anesthesiology	51,495	1,284,516	--	1,336,011	53,572	1,464,112	--	1,517,684
Wound clinic	855	1,021,404	1,591	1,023,850	791	682,071	--	682,862
GCMH clinic	46,326	568,440	--	614,766	92,952	728,937	--	821,889
Cardiac rehab	--	577,693	--	577,693	138	641,664	--	641,802
Electrocardiology	5,525	353,209	1,989	360,723	4,896	462,944	816	468,656
Occupational therapy	11,924	209,243	79,145	300,312	15,048	204,951	69,081	289,080
Sleep lab	--	235,075	--	235,075	--	371,728	--	371,728
Respiratory therapy	85,371	80,598	29,715	195,684	98,751	87,564	21,042	207,357
Nuclear medicine	--	64,852	--	64,852	--	54,051	--	54,051
Speech therapy	586	29,961	8,979	39,526	1,785	35,293	6,795	43,873
Diabetic education	--	30,636	--	30,636	--	33,263	--	33,263
Nutrition education	--	538	--	538	--	915	--	915
Central services and supply	--	110	--	110	--	272	--	272
	<u>950,034</u>	<u>33,137,610</u>	<u>453,858</u>	<u>34,541,502</u>	<u>998,444</u>	<u>34,149,648</u>	<u>322,396</u>	<u>35,470,488</u>
<b>GROSS PATIENT SERVICE REVENUE</b>	<u>\$ 1,314,668</u>	<u>33,779,597</u>	<u>952,825</u>	<u>36,047,090</u>	<u>1,431,468</u>	<u>34,871,626</u>	<u>709,383</u>	<u>37,012,477</u>
<b>LESS:</b>								
Contractual allowances and other deductions, primarily Medicare and Medicaid				(15,095,144)				(17,172,871)
Provision for bad debts				(582,257)				(697,970)
Charity care services and other discounts, based on charges forgone				(134,621)				(103,054)
<b>NET PATIENT SERVICE REVENUE</b>				<u>\$ 20,235,068</u>				<u>\$ 19,038,582</u>

See accompanying independent auditor's report

**Other Operating Revenue**  
**For the Years Ended June 30, 2020 and 2019**

---

	<u>2020</u>	<u>2019</u>
Clinic rent and other	\$ 69,619	81,688
Cafeteria and vending	56,130	60,458
Grants	--	2,635
Miscellaneous	67,820	74,503
Loss on disposal of capital assets	<u>(7,740)</u>	<u>(42,728)</u>
	<u>\$ 185,829</u>	<u>176,556</u>

*See accompanying independent auditor's report*

# Grundy County Memorial Hospital

# Exhibit 3

## Departmental Expenses For the Years Ended June 30, 2020 and 2019

	2020				2019			
	Salaries and Wages	Professional Fees and Purchased Services	Supplies and Other	Total	Salaries and Wages	Professional Fees and Purchased Services	Supplies and Other	Total
<b>NURSING SERVICES:</b>								
Adult and pediatric	\$ 945,925	108,986	51,673	1,106,584	830,077	246,839	51,183	1,128,099
<b>OTHER PROFESSIONAL SERVICES:</b>								
Emergency and outpatient service	1,813,641	271,982	73,271	2,158,894	1,706,918	381,138	75,633	2,163,689
Operating and recovery rooms	464,495	226,306	699,782	1,390,583	438,927	156,378	674,153	1,269,458
Laboratory	333,744	348,339	285,278	967,361	322,831	228,147	246,877	797,855
Radiology	548,334	191,374	169,938	909,646	499,113	189,419	176,168	864,700
Physical therapy	617,590	165	193,755	811,510	569,129	661	196,973	766,763
Pharmacy	181,530	56,310	455,188	693,028	196,491	55,789	345,422	597,702
Wound clinic	80,743	--	150,042	230,785	68,560	--	29,938	98,498
GCMH clinic	44,304	164,674	1,281	210,259	38,916	218,742	2,364	260,022
Anesthesiology	177,269	4,100	7,242	188,611	202,033	98,728	3,774	304,535
Cardiac rehab	147,178	14,457	5,273	166,908	144,383	16,028	9,209	169,620
Medical records	93,908	35,280	7,583	136,771	69,329	35,776	11,660	116,765
Central services and supply	53,290	4,808	8,244	66,342	48,083	4,476	6,711	59,270
Sleep lab	14,069	13,928	7,338	35,335	19,753	20,659	3,427	43,839
Speech therapy	--	27,193	--	27,193	--	37,321	--	37,321
Respiratory therapy	--	--	26,054	26,054	--	--	18,123	18,123
Nuclear medicine	--	20,058	--	20,058	--	15,486	--	15,486
Specialty clinic	14,039	--	2,458	16,497	18,485	--	3,092	21,577
Diabetic education	4,345	--	308	4,653	5,431	--	1,151	6,582
Electrocardiology	--	--	3,774	3,774	--	--	4,879	4,879
Senior Life	--	--	3,710	3,710	--	--	6,392	6,392
Wellness	--	--	669	669	--	--	--	--
	<u>4,588,479</u>	<u>1,378,974</u>	<u>2,101,188</u>	<u>8,068,641</u>	<u>4,348,382</u>	<u>1,458,748</u>	<u>1,815,946</u>	<u>7,623,076</u>
<b>GENERAL SERVICES:</b>								
Plant operation and maintenance	329,260	198,362	408,908	936,530	310,337	158,499	417,948	886,784
Dietary	160,683	--	86,945	247,628	173,127	--	97,063	270,190
Housekeeping	170,834	8,664	23,604	203,102	162,693	10,160	20,738	193,591
Laundry and linen	26,412	22,862	14,214	63,488	9,089	60,889	9,779	79,757
	<u>687,189</u>	<u>229,888</u>	<u>533,671</u>	<u>1,450,748</u>	<u>655,246</u>	<u>229,548</u>	<u>545,528</u>	<u>1,430,322</u>
<b>ADMINISTRATIVE SERVICES</b>	<u>1,934,873</u>	<u>1,534,015</u>	<u>637,503</u>	<u>4,106,391</u>	<u>1,737,668</u>	<u>904,574</u>	<u>688,124</u>	<u>3,330,366</u>
<b>NONDEPARTMENTAL:</b>								
Employee benefits	--	--	2,224,637	2,224,637	--	--	2,347,020	2,347,020
Depreciation and amortization	--	--	2,197,748	2,197,748	--	--	2,444,915	2,444,915
Insurance	--	--	127,408	127,408	--	--	118,879	118,879
	<u>--</u>	<u>--</u>	<u>4,549,793</u>	<u>4,549,793</u>	<u>--</u>	<u>--</u>	<u>4,910,814</u>	<u>4,910,814</u>
<b>\$</b>	<u><u>8,156,466</u></u>	<u><u>3,251,863</u></u>	<u><u>7,873,828</u></u>	<u><u>19,282,157</u></u>	<u><u>7,571,373</u></u>	<u><u>2,839,709</u></u>	<u><u>8,011,595</u></u>	<u><u>18,422,677</u></u>

See accompanying independent auditor's report

**Patient Receivables and Allowance for Doubtful Accounts  
For the Years Ended June 30, 2020 and 2019**

ANALYSIS OF AGING:

Days Since Discharge	2020		2019	
	Amount	Percent of Total	Amount	Percent of Total
0 - 30	\$ 2,760,202	67.69 %	2,912,183	64.45 %
31 - 60	374,936	9.19	499,900	11.06
61 - 90	209,441	5.14	323,919	7.17
91 - 120	126,868	3.11	155,628	3.44
121 - 180	239,377	5.87	321,544	7.12
> 180	367,119	9.00	305,442	6.76
	<u>4,077,943</u>	<u>100.00 %</u>	<u>4,518,616</u>	<u>100.00 %</u>
Less:				
Allowance for doubtful accounts	(759,805)		(787,729)	
Allowance for contractual adjustments	<u>(1,500,186)</u>		<u>(1,785,897)</u>	
	<u>\$ 1,817,952</u>		<u>\$ 1,944,990</u>	

	2020	2019
NET DAYS REVENUE IN PATIENT ACCOUNTS RECEIVABLE	32.88 Days	37.29 Days
ALLOWANCE FOR DOUBTFUL ACCOUNTS:		
Balance, beginning of year	\$ 787,729	679,267
Provision of uncollectible accounts	582,257	697,970
Recoveries of accounts previously written off	259,838	242,692
Accounts written off	<u>(870,019)</u>	<u>(832,200)</u>
Balance, end of year	<u>\$ 759,805</u>	<u>787,729</u>

*See accompanying independent auditor's report*



**Inventories / Prepaid Expenses**  
**June 30, 2020 and 2019**

---

	<u>2020</u>	<u>2019</u>
INVENTORIES:		
Pharmacy	\$ 128,311	136,063
Laboratory	53,691	61,288
Central supply	34,339	31,228
Operating room	20,175	20,034
Dietary	3,420	3,948
Radiology	<u>2,506</u>	<u>2,055</u>
	<u>\$ 242,442</u>	<u>254,616</u>
PREPAID EXPENSES:		
Maintenance contracts	\$ 256,048	149,959
Insurance	<u>25,334</u>	<u>24,428</u>
	<u>\$ 281,382</u>	<u>174,387</u>

*See accompanying independent auditor's report*

**Financial and Statistical Highlights  
For the Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Patient and Resident Days:		
Hospital -		
Adult and pediatric -		
Medicare	85	170
All other	183	140
Swing bed - skilled	639	493
Hospitality	<u>54</u>	<u>85</u>
	<u>961</u>	<u>888</u>
Discharges:		
Hospital adult and pediatric -		
Medicare	50	90
All other	<u>73</u>	<u>64</u>
	<u>123</u>	<u>154</u>
Average length of stay:		
Hospital adult and pediatric -		
Medicare	1.70 days	1.89 days
All other	2.51 days	2.19 days
Observation equivalent days	340	368
Surgical procedures	989	1,074
Emergency Room visits	4,719	5,029
Full-time equivalents personnel	103.95	99.79

*See accompanying independent auditor's report*

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

To the Board of Commissioners of  
Grundy County Memorial Hospital  
Grundy Center, Iowa:

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 Grundy County Memorial Hospital (Hospital) as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the Hospital's basic financials statements, and have issued our report thereon dated January 8, 2021.

**Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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 may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free of 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*.

Comments involving statutory and other legal matters about the Hospital's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Hospital. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

SEIM JOHNSON, LLP

Omaha, Nebraska,  
January 8, 2021.

# Grundy County Memorial Hospital

## Schedule of Findings and Responses For the Year Ended June 30, 2020

---

### Part I. Summary of the Independent Auditor's Results

- (a) An unmodified opinion was issued on the financial statements prepared in accordance with accounting principles generally accepted in the United States of America.
- (b) No significant deficiencies or material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

### Part II: Findings Related to the Financial Statements

No matters were reported.

### Part III: Other Findings Related to Required Statutory Reporting

- III-A-20 Certified Budget: Hospital disbursements during the year ended June 30, 2020 did not exceed budgeted amounts.
- III-B-20 Questionable Expenditures: We noted no expenditures that we believe would be in conflict with the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- III-C-20 Travel Expense: No expenditures of Hospital money for travel expenses of spouses of Hospital officials and/or employees were noted.
- III-D-20 Business Transactions: There were no business transactions between the Hospital officials and/or employees that appear to be a voidable conflict of interest pursuant to Chapter 347.9A(2)(a) of the Code of Iowa.
- III-E-20 Restricted Donor Activity: No transactions were noted between the Hospital, Hospital officials, Hospital employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- III-F-20 Board Minutes: No transactions were found that we believe should have been approved in the Board minutes but were not.
- III-G-20 Deposits and Investments: No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Hospital's investment policy were noted.
- III-H-20 Publication of Bills Allowed and Salaries: Chapter 347.13(14) of the Code of Iowa states in part, "There shall be published quarterly in each of the official newspapers of the county as selected by the board of supervisors pursuant to Section 349.1 the schedule of bills allowed and there shall be published annually in such newspaper the schedule of salaries paid by job classification and category..." We noted no instances of noncompliance with the publication of bills allowed and salaries. The Hospital publishes a list of expenditures quarterly which are summarized by major classification and vendor. The Hospital has no employees as all employees are leased from UnityPoint Health (Allen Hospital), who jointly exercises certain powers of the Hospital commission to operate the Hospital. Therefore, the salaries of UnityPoint Health employees were not published.

## Grundy County Memorial Hospital

### Audit Staff

---

#### This audit was performed by:

Brian D. Green, FHFMA, CPA, Partner

Darren R. Osten, FHFMA, CPA, Partner

Emily E. Hunt, Staff Auditor

Andrew C. Lehman, Staff Auditor