Financial Statements
December 31, 2022 and 2021

Keefe Memorial Health Service District, dba Keefe Memorial Hospital

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

The Board of Directors
Keefe Memorial Health Service District
dba Keefe Memorial Hospital
Cheyenne Wells, Colorado

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Keefe Memorial Health Service District, dba Keefe Memorial Hospital (Hospital), as of and for the years then ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Hospital, as of December 31, 2022 and 2021, and the respective changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hospital and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, the Hospital has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended December 31, 2021. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the supplementary information on page 21 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Other Matters

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2023 on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

Denver, Colorado
June 28, 2023

Keefe Memorial Hospital
Statements of Net Position - Assets
December 31, 2022 and 2021

	2022	2021 (Restated)
Assets		
Current Assets		
Cash and cash equivalents	$ 2,446,097	$ 1,511,362
Restricted cash	253,881	100,000
Short-term investments	5,906,255	5,860,184
Receivables		
Patient, net of estimated uncollectibles of $498,000 in 2022 and $329,000 in 2021	942,746	822,769
Property taxes	1,424,905	1,190,984
Estimated third-party payor settlements	-	1,412,512
Other	12,119	10,404
Supplies	520,963	402,353
Prepaid expenses	347,301	446,167
Total current assets	11,854,267	11,756,735
Capital Assets		
Capital assets not being depreciated	15,652	11,258
Capital assets being depreciated, net	6,077,106	6,484,060
Right to use leased assets, net of accumulated amortization	35,304	47,408
Total capital assets	6,128,062	6,542,726
Total assets	$ 17,982,329	$ 18,299,461

	2022	2021 (Restated)
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Current maturities of leases	$ 20,297	$ 17,698
Accounts payable	238,725	243,666
Accrued expenses		
Salaries, wages, and employee benefits	471,720	310,487
Estimated third-party payor settlements	196,067	-
Refundable advance - COVID-19 relief funds	253,881	100,000
Refundable advance - HTP funds	-	259,400
Total current liabilities	1,180,690	931,251
Leases, less current maturities	5,408	25,705
Total liabilities	1,186,098	956,956
Deferred Inflows of Resources- Property Taxes	1,424,905	1,190,984
Total liabilities and deferred inflows of resources	2,611,003	2,147,940
Net Position		
Net investment in capital assets	6,102,357	6,499,323
Restricted		
Expendable	59,512	27,450
Unrestricted	9,209,457	9,624,748
Total net position	15,371,326	16,151,521
Total liabilities, deferred inflows of resources, and net position	$ 17,982,329	$ 18,299,461

Keefe Memorial Hospital

Statements of Revenues, Expenses and Changes in Net Position

Years Ended December 31, 2022 and 2021

	2022	2021 (Restated)
Operating Revenues		
Net patient service revenue (net of provision for bad debts of $238,000 in 2022 and $206,000 in 2021)	$ 8,266,571	$ 7,511,482
Other revenue	63,899	123,496
Total operating revenues	8,330,470	7,634,978
Operating Expenses		
Salaries and wages	4,557,706	3,471,974
Professional fees and purchased services	3,739,991	2,919,228
Employee benefits	711,894	633,524
Depreciation and amortization	700,063	566,631
Supplies and pharmaceuticals	1,026,571	582,945
Repairs and maintenance	277,473	221,326
Utilities	179,306	174,880
Other	704,236	523,105
Total operating expenses	11,897,240	9,093,613
Operating Loss	(3,566,770)	(1,458,635)
Nonoperating Revenues (Expenses)		
Property taxes	1,338,039	1,365,049
Investment income (loss)	57,445	57,307
Interest expense	(2,704)	(10,576)
Noncapital contributions and grants	1,114,409	512,589
Forgiveness of Paycheck Protection Program loan	-	541,685
COVID-19 Testing and Mitigation for Rural Health Clinics	100,000	198,923
Provider Relief Funds	-	1,791,666
Loss on disposal of capital assets	-	(34,944)
Other	179,386	38,299
Net nonoperating revenues	2,786,575	4,459,998
Revenues in Excess of Expenses and Change in Net Position Before Capital Contributions and Grants	(780,195)	3,001,363
Capital Contributions and Grants	-	730,147
Change in Net Position	(780,195)	3,731,510
Net Position, Beginning of Year	16,151,521	12,420,011
Net Position, End of Year	$ 15,371,326	$ 16,151,521

	2022	2021
Operating Activities		
Receipts from and on behalf of patients	$ 9,755,173	$ 6,417,431
Other receipts	62,184	115,849
Payments to suppliers and other contractors	(5,952,262)	(4,831,857)
Payments to and on behalf of employees	(5,108,367)	(4,052,108)
Net Cash used for Operating Activities	(1,243,272)	(2,350,685)
Noncapital Financing Activities		
Property taxes received	1,338,039	1,365,049
Noncapital contributions and grants	855,009	771,989
Provider Relief Funds	253,881	13,934
COVID-19 Testing and Mitigation for Rural Health Clinics	-	200,000
Other revenue	179,386	38,299
Net Cash from Noncapital Financing Activities	2,626,315	2,389,271
Capital and Capital Related Financing Activities		
Purchases of capital assets	(285,400)	(2,037,545)
Principal payments on leases	(17,697)	(32,763)
Capital contributions and grants	-	730,147
Interest paid	(2,704)	(10,576)
Net Cash used for Capital and Related Financing Activities	(305,801)	(1,350,737)
Investing Activities		
Purchases of short-term investments	(46,071)	(60,799)
Investment (loss) income	57,445	57,307
Net Cash from (used for) Investing Activities	11,374	(3,492)
Net Change in Cash and Cash Equivalents	1,088,616	(1,315,643)
Cash and Cash Equivalents, Beginning of Year	1,611,362	2,927,005
Cash and Cash Equivalents, End of Year	$ 2,699,978	$ 1,611,362
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position		
Cash and cash equivalents in current assets	$ 2,446,097	$ 1,511,362
Restricted cash	253,881	100,000
Total cash and cash equivalents	$ 2,699,978	$ 1,611,362

	2022	2021
Reconciliation of Operating Loss to Net Cash from (used for) Operating Activities		
Operating loss	$ (3,566,770)	$ (1,458,635)
Adjustments to reconcile operating loss to net cash from (used for) operating activities:		
Bad debt expense	238,138	206,368
Depreciation and amortization	700,063	566,631
Changes in assets and liabilities		
Accounts receivable	(359,830)	(315,553)
Supplies	(118,610)	(199,609)
Prepaid expenses	98,866	(367,893)
Estimated third-party payor settlements	1,608,579	(992,513)
Accounts payable	(4,941)	157,129
Accrued expenses	161,233	53,390
Net Cash used for Operating Activities	$ (1,243,272)	$ (2,350,685)

Note 1 - Reporting Entity and Summary of Significant Accounting Policies

The financial statements of Keefe Memorial Health Service District, dba Keefe Memorial Hospital, (Hospital) have been prepared in accordance with generally accepted accounting principles in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the Hospital are described below.

Reporting Entity

The Hospital is an 11-bed acute care hospital located in Cheyenne Wells, Colorado. The Hospital is organized as a political subdivision of the state of Colorado and has been recognized by the Internal Revenue Service as exempt from federal income taxes under Internal Revenue Code Section 501(a). The Hospital is governed by the Board of Directors, which is publicly elected. The Board of Directors exercises governing oversight responsibility for the Hospital which includes such duties as budget review, care of patients, and management of the facilities as set forth by the ordinance of Cheyenne Wells.

For financial reporting purposes, the Hospital has evaluated all funds, organizations, agencies, boards, commissions, and authorities, none of which met the criteria for inclusion within the Hospital financial statements. 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 the exclusion would cause the Hospital's financial situation to be misleading or incomplete. The GASB 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 does not have a component unit which meets the GASB criteria.

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

Basis of Presentation

The statement of net position displays the Hospital's assets, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories/components:

Net investment in capital assets consists of net capital assets reduced by the outstanding balances of any related debt obligations.

Restricted Net Position

Expendable – Expendable net position results when constraints placed on net position use are either externally imposed or imposed through enabling legislation. There is $59,512 and $27,450 of expendable restricted net position during 2022 and 2021, respectively, due to grant restrictions.

Nonexpendable – Nonexpendable net position is subject to externally imposed stipulations which require them to be maintained permanently by the Hospital.

Unrestricted Net Position 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 an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Hospital's policy is to first apply the expense toward the most restrictive resources and then toward unrestricted resources.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding internally designated or restricted cash and investments.

Restricted Cash

Cash that has restrictions which change the nature or normal understanding of availability of the asset is reported separately on the statements of net position. Restricted cash available for obligations classified as current liabilities are reported as current assets.

Short-Term Investments

Short-term investments include certificates of deposits with an original maturity of three to twelve months, excluding internally designated or restricted cash and investments.

Patient Receivables

Patient receivables are uncollateralized noninterest bearing patient and third-party payor obligations. Payments of patient receivables are allocated to the specific claims 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 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.

Property Tax Receivable

Property tax receivable is recognized on the lien date, which is January 1 of the tax year in Colorado. The property tax receivable represents taxes certified by the Board of Trustees to be collected in the next fiscal year. However, by statute, the tax asking becomes effective on the first day of the following year. Although the property tax receivable has been recorded, the related revenue is considered a deferred inflow of resources – unavailable revenue and will not be recognized as revenue until the year in which it is levied.

Lien date	January 1,
Levy date	January 1, succeeding year
Due dates	February 28 and June 15, succeeding year

Supplies

Supplies are stated at lower of cost (first-in, first-out) or market and are expensed when used.

Investment Income

Interest on deposits is included in nonoperating revenues when earned.

Capital Assets

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

Buildings	30-40 years
Improvements	10-15 years
Equipment	5-20 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to unrestricted net position and are excluded from revenues in excess of expenses. 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 net position.

The Hospital considers whether indicators of impairment are present and performs the necessary analysis to determine if the carrying values of assets are appropriate. No impairment was identified for the years ended December 31, 2022 and 2021.

Right to use leased assets are recognized at the lease commencement date and represent the Hospital's right to use an underlying asset for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right to use leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method. The amortization period varies from 3 to 5 years.

Lease liabilities represent the Hospital's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments are discounted based on a borrowing rate determined by the Hospital.

Compensated Absences

The Hospital's employees earn paid time-off days at varying rates depending on years of service. Employees may accumulate paid time-off up to a specified maximum. Employees are paid for accumulated paid time-off upon termination.

Deferred Inflows of Resources

Deferred inflows of resources represent an increase in net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The deferred inflows of resources reported in the financial statements are deferred grant income and unavailable property taxes. Deferred grant income will be recognized when funds have been expended and property taxes will be recognized as revenue in the year they become available.

Operating Revenues and Expenses

The Hospital's statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses of the Hospital result from exchange transactions associated with providing health care services - the Hospital's principal activity, and the costs of providing those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as nonoperating.

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, 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.

Charity Care

The Hospital provides health care services to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Since the Hospital does not pursue collection of these amounts, they are not reported as patient service revenue. The estimated cost of providing these services was $66,000 and $17,000 for the years ended December 31, 2022 and 2021, calculated by multiplying the ratio of cost to gross charges for the Hospital by the gross uncompensated charges associated with providing charity care to its patients.

Colorado Healthcare Affordability and Sustainability Enterprise

The Hospital participates in the Colorado Healthcare Affordability and Sustainability Enterprise (CHASE) program, approved by the Centers for Medicare and Medicaid Services (CMS), under which all hospitals in the state were assessed a fee based on bed size and payor mix. The State of Colorado uses the fees to supplement state budget funds for the Medicaid program, which brings matching federal monies into the program, enabling the State of Colorado to fund Medicaid payments to hospitals at a higher rate than would otherwise be possible. The Hospital paid approximately $120,000 and $114,000 in CHASE fees for the years ended December 31, 2022 and 2021, which were recorded in operating expenses. The Hospital received approximately $1,345,000 and $1,510,000 of supplemental payments for the years ended December 31, 2022 and 2021, which are recorded in net patient service revenue.

Grants and Contributions

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

Implementation of GASB Statement No. 87

As of January 1, 2021, the Hospital adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. As a result of implementing the standard, the Hospital recognized a right of use asset and lease liability of $59,512 and $25,705, respectively. As a result of these adjustments there was no effect on beginning net position. The additional disclosures required by this standard are included in Note 6.

Subsequent Events

The Hospital has evaluated subsequent events through June 28, 2023, the date which the financial statements were available to be issued.

Note 2 - 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 – Effective in August 2017, the Hospital became licensed as a Critical Access Hospital (CAH). The Hospital is reimbursed for most acute care services under a cost reimbursement methodology with final settlement determined after submission of annual cost reports by the Hospital and are subject to audits thereof by the Medicare intermediary. Prior to obtaining CAH status, inpatient acute care and outpatient services rendered to Medicare program beneficiaries were paid at prospectively determined rates per visit. These rates varied according to a patient classification system based on clinical, diagnostic, and other factors. The Hospital's Medicare cost reports have been settled by the Medicare intermediary through the year ended December 31, 2020.

Medicaid – Inpatient services and outpatient services after November 1, 2016 rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services prior to November 1, 2016 relating to Medicaid beneficiaries are paid at interim rates based on Medicaid cost-to-charge ratios. Retrospective settlements based on audited cost-to-charge ratios are made periodically.

Blue Cross – Inpatient services rendered to Blue Cross subscribers are paid at prospectively determined rates per discharge. Outpatient services are reimbursed at outpatient payment fee screens or at charges less a prospectively determined discount. The prospectively determined discount is not subject to retroactive adjustment.

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 includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Concentration of gross revenues by major payor accounted for the following percentages of the Hospital's patient service revenues for the years ended December 31, 2022 and 2021:

	2022	2021
Medicare	42%	42%
Medicaid	20%	20%
Blue Cross	15%	18%
Other commercial and government payors	20%	17%
Self pay	3%	3%
	100%	100%

Laws and regulations governing the Medicare, Medicaid, and other 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. Net patient service revenues increased by approximately $0 and $117,000 for the years ended December 31, 2022 and 2021 due to adjustments to amounts previously estimated.

Note 3 - Deposits

The carrying amounts of deposits as of December 31, 2022 and 2021 is as follows:

	2022	2021
Carrying Amount		
Cash and deposits	$ 8,606,233	$ 7,471,546

Deposits are reported in the following statement of net position captions:

	2022	2021
Cash and cash equivalents	$ 2,446,097	$ 1,511,362
Restricted cash	253,881	100,000
Short-term investments	5,906,255	5,860,184
	$ 8,606,233	$ 7,471,546

The Hospital's short-term investments consist of certificates of deposit that are carried at cost plus accrued interest with a maturity of less than one year.

Deposits – Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank or investment company failure, the Hospital's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA.

PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At December 31, 2022 and 2021, the Hospital's deposits in banks were entirely covered by federal depository insurance and PDPA.

Note 4 - Provider Relief Funds

For the years ended December 31, 2022 and 2021, the Hospital received $253,881 and $3,039,26, respectively, of Coronavirus Aid, Relief, and Economic Security (CARES) Act Provider Relief Funds administered by the Department of Health and Human Services (HHS). The funds are subject to terms and conditions imposed by HHS. Among the terms and conditions is a provision that payments will only be used to prevent, prepare for, and respond to coronavirus and shall reimburse the recipient only for healthcare-related expenses or lost revenues that are attributable to coronavirus. Recipients may not use the payments to reimburse expenses or losses that have been reimbursed from other sources or that other sources are obligated to reimburse. HHS currently has a deadlines for incurring eligible expenses and lost revenues based on the date the Hospital received the funds. Unspent funds will be expected to be repaid.

These funds are considered subsidies and recorded as a liability when received and will be recognized as revenues when all terms and conditions are considered met. As these funds are considered subsidies, they are considered nonoperating activities. The terms and conditions are subject to interpretation, changes and future clarification, the most recent of which have been considered through the date that the financial statements were issued In addition, this program may be subject to oversight, monitoring and audit. Failure by a provider that received a payment from the Provider Relief Fund to comply with any term or condition can subject the provider to recoupment of some or all of the payment. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

As of December 31, 2022 and 2021, the Hospital had refundable advance balances of $253,881 and $100,000, which were included in current liabilities on the accompanying statements of financial position, as well as restricted cash totaling $253,881 and $100,000, which are subject to restrictions imposed by HHS. During the years ended December 31, 2022 and 2021, the Hospital recognized $100,000 and $1,990,598 as revenue as conditions were fully met, which is included as nonoperating revenue on the statement of revenues, expenses, and changes in net position.

As part of the CARES Act, the PPPHCEA, and Families First Coronavirus Response Act (FFCRA), the HHS provides claims reimbursement to health care providers generally at Medicare rates for testing uninsured individuals for COVID-19 and treating uninsured individuals with a COVID-19 diagnosis. The Hospital considers amounts received under this program to be patient service revenues and has recorded $0 and $98,923 as revenue for the years ended December 31, 2022 and 2021.

Note 5 - Capital Assets

Capital assets activity and balances for the year ended December 31, 2022 are as follows:

	December 31, 2021 (Restated)	Additions	Transfers and Retirements	December 31, 2022
Capital assets not being depreciated				
Land	$ 11,258	$ -	$ -	$ 11,258
Construction in progress	-	4,394	-	4,394
Total capital assets not being depreciated	$ 11,258	$ 4,394	$ -	$ 15,652
Capital assets being depreciated				
Buildings and improvements	$ 7,198,587	$ -	$ -	$ 7,198,587
Equipment	5,158,280	281,006	-	5,439,286
Right to use asset	-	-	-	-
Total capital assets being depreciated	12,356,867	$ 281,006	$ -	12,637,873
Less accumulated depreciation for:				
Buildings and improvements	(2,524,057)	$ (258,094)	$ -	(2,782,151)
Equipment	(3,348,750)	(429,865)	-	(3,778,615)
Right to use asset	-		-	-
Total accumulated depreciation	(5,872,807)	$ (687,959)	$ -	(6,560,766)
Net capital assets being depreciated	$ 6,484,060			$ 6,077,106
Right-to-use leased assets being amortized				
Equipment	84,730	-	-	84,730
Total right-to-use leased assets being amortized	84,730	-	-	84,730
Accumulated amortization				
Equipment	(37,322)	(12,104)	-	(49,426)
Total accumulated amortization	(37,322)	$ (12,104)	$ -	(49,426)
Net right-to-use leased assets	47,408			35,304
Capital assets and right-to-use assets, net	$ 6,542,726			$ 6,128,062

Capital assets activity and balances for the year ended December 31, 2021, as restated, are as follows:

	December 31, 2020	Additions	Transfers and Retirements	December 31, 2021
Capital assets not being depreciated				
Land	$ 11,258	$ -	$ -	$ 11,258
Construction in progress	2,187,483	365,169	(2,552,652)	-
Total capital assets not being depreciated	$ 2,198,741	$ 365,169	$ (2,552,652)	$ 11,258
Capital assets being depreciated				
Buildings and improvements	$ 4,706,087	$ -	$ 2,492,500	$ 7,198,587
Equipment	5,759,734	1,483,920	(2,085,374)	5,158,280
Total capital assets being depreciated	10,465,821	$ 1,483,920	$ 407,126	12,356,867
Less accumulated depreciation for:				
Buildings and improvements	(2,381,997)	$ (202,212)	$ 60,152	(2,524,057)
Equipment	(5,072,083)	(327,097)	2,050,430	(3,348,750)
Total accumulated depreciation	(7,454,080)	$ (529,309)	$ 2,110,582	(5,872,807)
Net capital assets being depreciated	$ 3,011,741			$ 6,484,060
Right-to-use leased assets being amortized				
Equipment	566,938	84,730	(566,938)	84,730
Total right-to-use leased assets being amortized	566,938	84,730	(566,938)	84,730
Accumulated amortization				
Equipment	(495,898)	(108,362)	566,938	(37,322)
Total accumulated amortization	(495,898)	$ (108,362)	$ 566,938	(37,322)
Net right-to-use leased assets	71,040			47,408
Capital assets, net	$ 5,281,522			$ 6,542,726

Note 6 - Leases

The Hospital entered into an agreement for medical equipment. The lease terminates in 2024. Under the terms of the lease agreement, the Hospital pays monthly principal and interest payments of $1,691. The lease liability was valued using a discount rate of 7.3% based on the Hospital's incremental borrowing rate at the inception of the lease.

Remaining principal and interest payments on leases are as follows:

Years Ending December 31,	Principal	Interest
2023	20,297	1,255
2024	5,408	102
	$ 25,705	$ 1,357

Note 7 - Pension Plan

The Hospital participates in the Keefe Memorial Hospital Employees' Retirement Plan, a defined contribution pension plan sponsored by the Hospital under which employees become eligible upon reaching age 21 and completion of three months of service. The plan is administered by One America. The Hospital matches employee contributions up to 5% after the employees first year of service. Employees vest at a rate of 20% annually over five years and are 100% vested at the end of five years. The Hospital has the authority to change the terms of the plan. There were no forfeitures or employee liabilities for the years ended December 31, 2022, 2021 and 2020. Total pension plan expense was approximately $49,000, $50,000, and $63,000 for the years ended December 31, 2022, 2021 and 2020, respectively.

Note 8 - Concentrations of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors and patients at December 31, 2022 and 2021 was as follows:

	2022	2021
Medicare	33%	33%
Medicaid	12%	15%
Blue Cross	10%	13%
Other commercial and government payors	16%	16%
Self pay	29%	23%
	100%	100%

Note 9 - Contingencies

Risk Management

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

Malpractice Insurance

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

Colorado Hospital Association Trust - Workers' Compensation Pool

The Hospital is exposed to various risks of loss related to injuries of employees while on the job. On June 1, 1985 the Hospital joined together with other hospitals in the State of Colorado to form the Colorado Hospital Association Trust - Workers' Compensation Pool, a public entity risk pool currently operating as a carrier risk management and insurance program for member hospitals. The Hospital pays an annual contribution to the pool for workers compensation insurance coverage. The pool is financially self-sustaining through member contributions and additional assessments, if necessary, and the Pool purchases reinsurance for claims in excess of a specified self-insured retention, which is determined by the trust. There have been no significant reductions in coverage from the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

Colorado Counties Health Insurance Pool

The Hospital is exposed to various risks of loss related to health insurance coverage. In June 1988 due to the high cost of health coverage, the Hospital joined together with other counties in the State of Colorado to form the County Health Insurance Pool, a public entity risk pool operating as a common risk management and insurance program for member counties. The Hospital pays monthly premiums for health insurance coverage. The intergovernmental agreement provides that the pool will be financially self-sustaining through member contributions and additional assessments. There have been no significant reductions in coverage from the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

Litigation, Claims, and Disputes

The Hospital is subject to the usual contingencies in the normal course of operations relating to the performance of its tasks under its various programs. In the opinion of management, the ultimate settlement of any litigation, claims, and disputes in process will not be material to the financial position, operations, or cash flows of the Hospital.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Federal government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from patient services.

COVID-19 Pandemic

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

Supplementary Information
December 31, 2022

Keefe Memorial Health Service District, dba Keefe Memorial Hospital

	Budgeted Amounts	Actual	Variance Favorable (Unfavorable)
Revenues			
Operating revenues			
Net patient service revenue	$ 8,369,040	$ 8,266,571	$ (102,469)
Other revenue	200,712	63,899	(136,813)
Net operating revenues	8,569,752	8,330,470	(239,282)
Nonoperating revenues (expenses)			
Property tax income	1,345,344	1,338,039	(7,305)
Investment (loss) income	38,664	57,445	18,781
Interest expense	(2,196)	(2,704)	(508)
Grants and contributions	1,492,848	1,114,409	(378,439)
COVID-19 Test and Mitigation for Rural Health Clinics	-	100,000	100,000
Other	426,276	179,386	(246,890)
	3,300,936	2,786,575	(514,361)
Total revenues	11,870,688	11,117,045	(753,643)
Expenditures			
Salaries, wages and benefits	4,742,820	5,269,600	(526,780)
Professional fees and purchased services	1,968,732	3,739,991	(1,771,259)
Supplies and pharmaceuticals	1,103,016	1,026,571	76,445
Repairs and maintenance	240,540	277,473	(36,933)
Utilities	164,928	179,306	(14,378)
Depreciation	512,688	700,063	(187,375)
Other	1,094,076	704,236	389,840
Total expenditures	9,826,800	11,897,240	(2,070,440)
Change in Net Position	$ 2,043,888	$ (780,195)	$ (2,824,083)

Notes to Schedule

1. Annual budgets are adopted as required by Colorado Statutes. Formal budgetary integration is employed as a management control device during the year. Budgets are adopted on a basis that is consistent with generally accepted accounting principles.

2. Appropriations are adopted by resolutions in total. For the year ended December 31, 2022, there were no additional resolutions for supplementary budget and appropriation.

3. Management believes that the Hospital is compliant with the rules of Colorado's Taxpayer's Bill of Rights (TABOR).

EideBailly

CPAs & BUSINESS ADVISORS

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*

The Board of Directors
Keefe Memorial Health Service District
dba Keefe Memorial Hospital
Cheyenne Wells, Colorado

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Keefe Memorial Health Service District, dba Keefe Memorial Hospital (Hospital) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements and have issued our report thereon dated June 28, 2023.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2022-001 and 2022-002 to be material weaknesses.

Report on Compliance and Other Matters

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

The Hospital's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Hospital's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The Hospital's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Ede Bailly LLP

Denver, Colorado
June 28, 2023

Financial Statement Findings

2022-001 Preparation of Financial Statements and Material Audit Adjustments
Material Weakness in Internal Control Over Financial Reporting

Criteria – A properly designed system of internal control over financial reporting includes preparation of an entity's financial statements and accompanying notes by internal personnel of the entity. Management is responsible for establishing and maintaining internal control over financial reporting and procedures related to the fair presentation of the financial statements in accordance with GAAP.

Condition – The Hospital does not have an internal control system designed to provide for the preparation of financial statements being audited, including related disclosures in accordance with U.S generally accepted accounting principles (GAAP). In addition, the Hospital does not have an internal control structure to properly prevent and detect or correct misstatements to those financial statements. This resulted in a material audit adjustments.

Cause – This deficiency is due to the limited resources in the financial reporting process due to budgetary constraints.

Effect – Internal control over financial reporting could adversely impact the ability to record, process, and report financial information consistent with management's assertions. Furthermore, it is possible that new standards may not be adopted and applied timely to the interim financial reporting. This deficiency may cause material misstatements to the financial statements which would not be detected by the hospital.

Recommendation – We recommend that management continue reviewing operating procedures in order to obtain the maximum internal control over financial reporting possible under the circumstances to enable staff to identify issues timely and make proper changes.

Views of Responsible Officials – The Hospital management team prepares and reviews internally generated financial statements. Monthly account reconciliations are performed on all major accounts.

2022-002 Limited Size of Office and Segregation of Duties
Material Weakness in Internal Control over Financial Reporting

Criteria – An effective system of internal control depends on an adequate segregation of duties with respect to the execution and recording of transactions, as well as the custody of the Hospital's assets. Accordingly, an effective system of internal control will be designed such that these functions are performed by different employees, so that no one individual handles a transaction from its inception to its completion.

Condition – The limited number of employees in the financial reporting function at the Hospital prevents a proper segregation of accounting functions necessary to ensure effective internal control. We noted there were journal entries not subject to a review, other than by the preparer. This is not unusual in an organization of your size; however the lack of segregation of duties increases the risk of fraud related to misappropriation of assets, financial statement misstatement, or both.

Cause – The Hospital's size and budget constraints limit the number of personnel and does not facilitate the segregation of duties necessary to adequately separate procedures.

Effect – Inadequate segregation of duties and incomplete controls could adversely affect the Hospital's ability to detect and correct unintentional or intentional misstatements in a timely period by employees in the normal course of performing their assigned functions.

Recommendation – We recognize your staffing levels may not be sufficient enough to permit complete segregation of duties in all respects for an effective system of internal control. However, the Hospital should continually review its internal control procedures, other compensating controls, and monitoring procedures to obtain the maximum internal control possible under the circumstances. Furthermore, the Hospital should periodically evaluate its procedures to identify potential areas where the benefits of further segregation of duties or addition of other compensating controls and monitoring procedures exceed the related costs. In addition, active involvement of the Board of Directors and the Board's knowledge of the operations is an effective control.

Views of Responsible Officials – The Hospital agrees with the finding and will continue to monitor the Hospital's operations and procedures very closely. In addition, the Hospital will review its internal control over its financial reporting process and implement improvements in the segregation of duties.