HOCKING VALLEY COMMUNITY HOSPITAL

(A COMPONENT UNIT OF HOCKING COUNTY, STATE OF OHIO)

FINANCIAL STATEMENTS

AND SUPPLEMENTARY INFORMATION

DECEMBER 31, 2022 AND 2021

CPAs / ADVISORS

blue

OHIO AUDITOR OF STATE
KEITH FABER

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Columbus, Ohio 43215
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Board of Trustees
Hocking Valley Community Hospital
601 State Route 664
Logan, Ohio 43138

We have reviewed the *Independent Auditor's Report* of the Hocking Valley Community Hospital, Hocking County, prepared by Blue & Co., LLC, for the audit period January 1, 2022 through December 31, 2022. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Hocking Valley Community Hospital is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

June 20, 2023

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HOCKING VALLEY COMMUNITY HOSPITAL
(A COMPONENT UNIT OF HOCKING COUNTY, STATE OF OHIO)

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CPAs / ADVISORS

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INDEPENDENT AUDITOR'S REPORT

Hocking Valley Community Hospital
Hocking County
601 OH-664 N
Logan, Ohio 43138

To the Board of Trustees:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the discretely presented component unit of Hocking Valley Community Hospital (the Hospital), a component unit of Hocking County, Ohio, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Emphasis of Matter – Change in Accounting Principles

As discussed in Note 3 to the financial statements, during 2022, the Hospital adopted Governmental Accounting Standards Board (GASB) Statement No. 87 – *Leases*. We did not modify our opinion regarding 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 presenting 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 Responsibility 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 opinions. 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 weakness 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 *management's discussion and analysis* and the Required Supplemental Information on GASB 68 Pension Assets, Pension Liabilities, and Pension Contributions and GASB 75 Other Postemployment Benefit Assets and Liabilities 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 GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic 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 opinions on the financial statements that collectively comprise the Hospital's basic financial statements. The accompanying Schedule of Expenditures of Federal Award, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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. The 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic 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 May 18, 2023, 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.

Blue & Co., LLC

Westerville, Ohio
May 18, 2023

Management's Discussion and Analysis

The discussion and analysis of Hocking Valley Community Hospital's (the Hospital) financial performance provides an overview of the Hospital's financial activities for the years ended December 31, 2022, 2021, and 2020. The discussion and analysis is based on Hospital only activity and does not include The Hocking Valley Community Hospital Memorial Funds, Inc. (the Foundation) activity. Please read in conjunction with the Hospital's financial statements, which begin on page 5.

Financial Highlights

- The Hospital's operating income in 2022 was $6,314,266. This income was primarily due to a gain on employee benefits of $5,047,490 in relation to the impact of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for* and GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (see page ix for additional information on these standards).
- The decrease in the Hospital's total 2022 operating income of $8,789,403 from 2021 is the result of a 31.3% increase in operating expenses of $8,034,259, of which $5,972,415 related to the difference in aforementioned gain on estimates related to GASB 68 and GASB 75 in 2022 compared to 2021.
- The Hospital paid $2,850,051 and $2,198,669 to the Foundation in support of the Hocking Valley Medical Group, Inc. during 2022 and 2021, respectively.
- The cumulative impact of adopting GASB 68 and GASB 75 has been a $13,509,753 decrease in the Hospital's net position through December 31, 2022.
- In 2021, the Hospital recognized a gain of $3,659,562 in nonoperating revenues (expenses) for forgiveness of a loan received through the Paycheck Protection Program. The Hospital also recognized noncapital grants of $1,756,034 for the receipt of a Provider Relief Fund grant authorized under the Coronavirus Aid, Relief, and Economic Security (CARES) Act.
- During 2022, the Hospital adopted GASB No. 87 – *Leases*, which requires certain leases to be recorded in the statement of net position.

Using This Annual Report

The Hospital's financial statements consist of three statements – statements of net position; statements of revenues, 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.

Statements of Net Position and Statements of Revenues, Expenses and Changes in Net Position

One of the most important questions asked about the Hospital's finances is, "Is the Hospital as a whole better or worse off as a result of the year's activities?" The statements of net position and the statements of revenues, expenses and changes in net position report information about the Hospital's resources and its activities in a way that helps answer this question. The statements of net position include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The statements of revenues, expenses, and changes in net position report the Hospital's net position and related changes. You can think of the Hospital's net position – the difference between assets and liabilities – 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.

Statements of Cash Flows

The final required statement is the statements of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, noncapital related financing and capital related financing activities. It provides answers to such questions as "Where did cash come from?", "What was cash used for?", and "What was the change in cash balance during the reporting period?"

Net Position

The Hospital's net position is the difference between its assets and liabilities reported in the statements of net position on page 6. The Hospital's net position increased by $4,481,961 in 2022. As noted on page i, this increase was largely caused by a gain of $5,047,490 in relation to GASB 68 and 75 impacts.

Condensed Financial Information

The following is a comparative analysis of major components of the statements of net position of the Hospital as of December 31, 2022, 2021, and 2020:

	2022	2021 (As Restated)	2020
Assets and Deferred Outflows of Resources			
Current assets	$ 16,924,200	$ 19,547,901	$ 16,733,038
Noncurrent assets	2,974,212	1,656,622	134,488
Capital assets, net	11,691,107	9,892,432	9,921,900
Total assets	31,589,519	31,096,955	26,789,426
Deferred outflows of resources			
Pension	4,228,418	2,612,405	2,731,410
Other post-employment benefits	194,428	1,081,057	1,802,598
Total deferred outflows of resources	4,422,846	3,693,462	4,534,008
Total Assets and Deferred Outflows of Resources	$ 36,012,365	$ 34,790,417	$ 31,323,434
Liabilities, Deferred Inflows of Resources and Net Position			
Current liabilities	$ 6,904,368	$ 9,351,829	$ 9,979,343
Noncurrent liabilities	12,080,541	15,053,549	34,303,713
Total liabilities	18,984,909	24,405,378	44,283,056
Deferred inflows of resources			
Pension	9,898,858	5,883,032	4,128,659
Other post-employment benefits	2,901,264	4,756,634	1,971,274
Total deferred inflows of resources	12,800,122	10,639,666	6,099,933
Net Position			
Net investment in capital assets	7,008,439	7,397,485	7,039,195
Unrestricted	(2,781,105)	(7,652,112)	(26,098,750)
Total net position	4,227,334	(254,627)	(19,059,555)
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 36,012,365	$ 34,790,417	$ 31,323,434

A significant component of the Hospital's assets are capital assets. Capital assets, net, increased by $1,798,675, or 18.2% in 2022. Fixed assets acquired by the Hospital were $3,600,458 in 2022. These additions were offset by depreciation and amortization of $1,801,783. Capital assets, net, decreased by $29,468, or less than 1% in 2021 after the restated impact of GASB No. 87. Fixed assets acquired by the Hospital were $1,698,812 in 2021. These additions were offset by depreciation and amortization of $2,139,930.

Operating Results and Changes in the Hospital's Net Position

The following is a comparative analysis of the statements of operations and changes in net position for the years ended December 31, 2022, 2021, and 2020:

	2022		2021 (As Restated)		2020	
Revenues						
Net patient service revenue	$ 39,424,503		$ 40,287,611		$ 33,576,780	
Other operating revenue	585,477		477,513		403,844	
Total operating revenue	40,009,980		40,765,124		33,980,624	
Expenses						
Salaries and wages	15,587,287		14,644,961		13,590,581	
Employee benefits	1,264,774	(&)	(5,214,518)	(^)	7,614,484	(#)
Supplies and other expenses	8,422,775		7,949,749		6,877,301	
Professional fees and services	6,424,734		5,985,680		6,157,316	
Depreciation and amortization	1,801,783		2,139,930		2,382,620	
Insurance	194,361		155,653		156,476	
Total operating expenses	33,695,714		25,661,455		36,778,778	
Operating income (loss)	6,314,266		15,103,669		(2,798,154)	
Nonoperating income (expenses)	(1,832,305)		3,712,972		4,492,089	
Increase in net position	4,481,961		18,816,641		1,693,935	
Net position, beginning of year	(254,627)		(19,071,268)		(20,753,490)	
Net position, end of year	$ 4,227,334		$ (254,627)		$ (19,059,555)	

(&) 2022 employee benefits expense includes the GASB 68 and 75 income of $5,047,490
(^) 2021 employee benefits expense includes the GASB 68 and 75 income of $11,019,905
(#) 2020 employee benefits expense includes the GASB 68 and 75 expense of $1,536,862

Operating Revenues

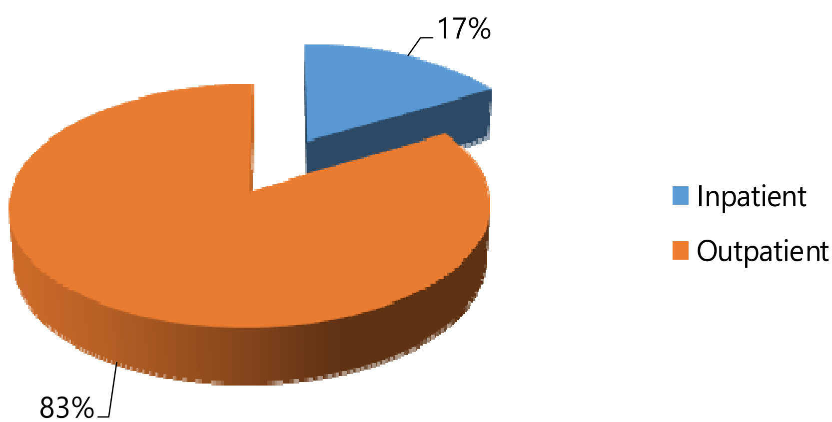
Operating revenues include all transactions that result in the sales and/or receipts from goods and services such as inpatient services, outpatient services, physician offices, and the cafeteria.

Operating revenue changes were a result of the following factors:

- Net patient service revenue decreased $863,108 or 2.2% from 2021 to 2022. This decrease was primarily due to a 15.3% decrease in inpatient days.

- Net patient service revenue increased $6,710,831 or 20.0% from 2020 to 2021. This increase was primarily due to a 11.4% increase in outpatient registrations and a general increase in volumes of inpatient procedures between years.

The following is a graphic illustration of operating revenues by type for 2022:



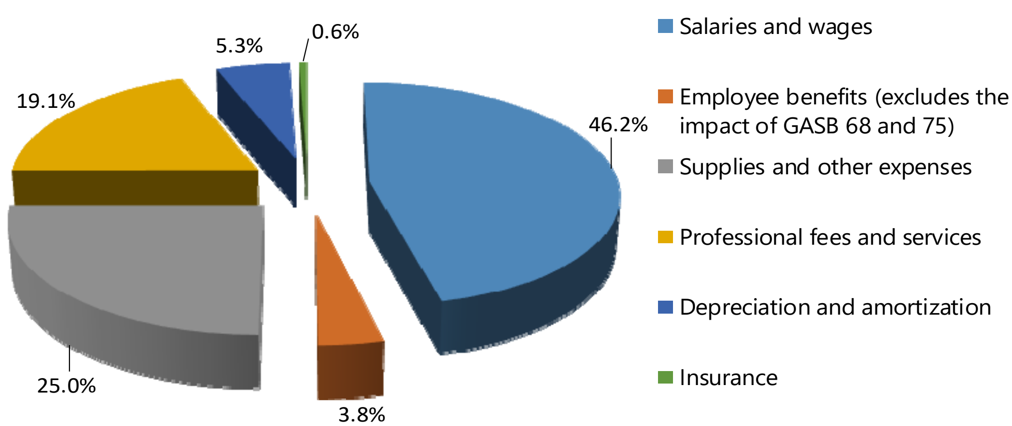
Operating Expenses

Operating expenses are all the costs necessary to perform and conduct the services and primary purposes of the Hospital. The significant operating expense changes were the result of the following factors:

- Salaries and wages increased $942,328 or 6.4% from 2021 to 2022. The increase in salaries and wages between 2021 and 2022 was primarily due to pay rate increases that varied by position. Salaries and wages increased $1,054,378 or 7.8% from 2020 to 2021. The increase in salaries and wages between 2020 and 2021 was primarily due to pay rate increases that varied by position, as well as a retention incentive paid out to employees.

- Employee benefits increased $6,479,292 or 124.3% from 2021 to 2022. This increase was primarily related to lesser positive impact of GASB 68 and 75 between years. Employee benefits decreased $12,829,002 or 168.5% from 2020 to 2021. This decrease was primarily related to decreased impact of GASB 68 and 75 between years.

The following is a graphic illustration of operating expenses by type for 2022:



Sources of Revenue

The Hospital derives substantially all of its revenue from patient services and other related activities. Revenue includes, among other items, revenue from the Medicare and Medicaid programs, patients, insurance carriers, preferred provider organizations, and managed care programs.

The Hospital provides care to patients under payment arrangements with Medicare, Medicaid, and various managed care programs. Services provided under those arrangements are paid at predetermined rates and/or reimbursable costs as defined by the related Federal and State regulations. Provisions have been made in the financial statements for contractual adjustments, which represent the difference between the standard charges for services and the actual or estimated reimbursement.

Operating Income (Loss)

The first component of the overall change in the Hospital's net position is its operating income (loss). Generally, operating income (loss) is the difference between net patient service revenue and the expenses incurred to perform those services. The Hospital reported operating incomes of $6,314,266 and $15,103,669 in 2022 and 2021, respectively, and an operating loss of ($2,798,154) in 2020.

The decrease in the Hospital's total operating income in 2022 of $8,789,403 from 2021 is the result of a $5,972,415 net decrease in gains recognized from GASB 68 and GASB 75 estimates in 2022 compared to 2021, and a 6.4% increase in salaries and wages expense of $942,328.

The increase in the Hospital's total operating income in 2021 of $17,901,823 from 2020 is the result of a $11,019,905 gain from GASB 68 and 75 estimates and a 20.0% increase in operating revenue of $6,784,500.

The Hospital provides care for patients who have little or no health insurance or other means of repayment. This service to the community is consistent with the goals of the Hospital when it was established. Because there is no expectation of repayment, charity care is not reported as patient service revenues of the Hospital and represents unreimbursed charges incurred by the Hospital in providing uncompensated care to indigent patients. Based on established rates, charges of $732,610 were waived under the Hospital's charity care policy during 2022 as compared to $666,069 in 2021.

Nonoperating Revenues (Expenses)

The Hospital's net investment income amounted to $191,889 and $42,703 in 2022 and 2021, respectively. The Hospital provided funding to the Hocking Valley Community Hospital Memorial Fund, Inc., which in turn provided funding to the Hocking Valley Medical Group, Inc. of $2,850,051 and $2,198,669 in 2022 and 2021, respectively. The Hospital received contributions, grants, and other nonoperating income of $983,899 and $6,010,636 in 2022 and 2021, respectively. $5,415,596 of contributions and grants recognized in 2021 is related to stimulus money received to mitigate the financial impact of the COVID-19 pandemic on the healthcare industry. None of the contributions and grants received in 2022 were directly related to mitigation of the COVID-19 pandemic's financial impact on the healthcare industry.

Statements of Cash Flows

The primary purpose of the statements of cash flows is to provide relevant information about the cash receipts and cash payments of an entity during a period. The statement of cash flows helps assess:

- An entity's ability to generate future net cash flows
- Its ability to meet obligations as they come due
- Its need for financing

	2022	2021	2020
Cash provided by (used in):			
Operating activities	$ (958,870)	$ 2,803,120	$ 3,941,707
Non-capital financing activities	(1,866,152)	152,405	7,500,586
Investing activities	4,122,024	(238,458)	(8,582,223)
Capital and related financing activities	(1,570,779)	(2,651,633)	(2,411,384)
Total	(273,777)	65,434	448,686
Cash - beginning of year	1,209,045	1,143,611	694,925
Cash - end of year	$ 935,268	$ 1,209,045	$ 1,143,611

Capital Assets and Debt Administration

Capital Assets

The Hospital had $11,691,107 and $9,892,432 invested in capital assets at December 31, 2022 and 2021, respectively. The Hospital acquired or constructed capital assets in the amount of $3,600,458 and $1,801,458 during 2022 and 2021, respectively.

Debt

The Hospital had $4,682,668 and $2,494,947 in bond, notes, and lease obligations outstanding at December 31, 2022 and 2021, respectively.

GASB No. 68 (Accounting and Financial Reporting for Pensions), as amended by GASB Statement No. 71 and GASB 75 (Accounting and Financial Reporting for Postemployment Benefits Other than Pensions)

Included in the Hospital's financial statements is the impact of the GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The Hospital is required to recognize their proportionate share of the Ohio Public Employees Retirement System (OPERS) unfunded liability within the financial statements. A proportionate share of the net pension liabilities of OPERS and other postemployment benefits (OPEB) has been allocated to the Hospital, based on retirement plan contributions for Hospital employees. The cumulative impact of adopting GASB Statement No. 68 and GASB Statement No. 75 has been a $13,509,753 reduction in the Hospital's net position through December 31, 2022.

These standards fundamentally changed the future accounting and financial reporting requirements for public pensions. The standards required each public employer to account for a portion of its public pension plan's unfunded liabilities on their statements of net position. As part of this accounting recognition, there will be operating income/loss impacts into the future. However, since the impact is dependent upon the OPERS investment portfolio performance via market investments, it is uncertain as to the performance of these investments in future years.

The rules represent a change in reporting – not a change in funding. The Hospital continues to contribute 14% annually to the pension and OPEB. This is the same percentage contributed prior to the adoption of these standards.

The chart below summarizes 2022 activity with and without the impact of GASB Statement No. 68 and GASB Statement No. 75.

	Presentation in accordance with Generally Accepted Accounting Principles	Presentation without GASB 68 & 75
Operating results		
Operating income	$ 6,314,266	$ 1,266,776
Net position		
Assets and deferrals	$ 36,012,365	$ 28,615,307
Liabilities and deferrals	31,785,031	10,878,220
Net position	4,227,334	17,737,087
Total liabilities and net position	$ 36,012,365	$ 28,615,307

Contacting the Hospital's Financial Management

The financial report is designed to provide patients, suppliers, taxpayers, and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Vice President of Finance, 601 State Route 664, P.O. Box 966, Logan, OH 43138.

HOCKING VALLEY COMMUNITY HOSPITAL
(A COMPONENT UNIT OF HOCKING COUNTY, STATE OF OHIO)

STATEMENTS OF NET POSITION
DECEMBER 31, 2022 AND 2021

Assets and Deferred Outflows of Resources

	Hocking Valley Community Hospital		Component Unit The Hocking Valley Community Hospital Memorial Fund, Inc.	
	2022	2021 (As Restated)	2022	2021
Current assets				
Cash and cash equivalents	$ 935,268	$ 1,209,045	$ 998,401	$ 604,138
Patient accounts receivable, net of uncollectible accounts of approximately $934,000 and $1,497,000 in 2022 and 2021, respectively	8,060,779	6,494,023	-	-
Investments	6,069,687	9,999,822	134,722	174,735
Inventories	434,018	468,121	-	-
Estimated amounts due from third-party payors	115,845	-	-	-
Prepaid expenses and other assets	1,308,603	1,376,890	3,000	-
Total current assets	16,924,200	19,547,901	1,136,123	778,873
Noncurrent assets				
Board designated cash	-	-	290,000	290,000
Net pension asset	178,295	125,889	-	-
Net other post-employment benefit asset	2,795,917	1,530,733	-	-
Donor restricted investments	-	-	218,052	218,052
Total noncurrent assets	2,974,212	1,656,622	508,052	508,052
Capital assets				
Land and construction in progress	733,472	146,879	954,288	954,288
Buildings, land improvements, and equipment, net	8,260,356	8,827,740	1,112,866	1,153,749
Intangible right-to-use assets, net	2,697,279	917,813	-	-
Capital assets, net	11,691,107	9,892,432	2,067,154	2,108,037
Total assets	31,589,519	31,096,955	3,711,329	3,394,962
Deferred outflows of resources				
Pension	4,228,418	2,612,405	-	-
Other post-employment benefits	194,428	1,081,057	-	-
Total outflows of resources	4,422,846	3,693,462	-	-
Total assets and deferred outflows of resources	$ 36,012,365	$ 34,790,417	$ 3,711,329	$ 3,394,962

See accompanying notes to financial statements.

HOCKING VALLEY COMMUNITY HOSPITAL
(A COMPONENT UNIT OF HOCKING COUNTY, STATE OF OHIO)

STATEMENTS OF NET POSITION
DECEMBER 31, 2022 AND 2021

Liabilities, Deferred Inflows of Resources, and Net Position

	Hocking Valley Community Hospital		Component Unit The Hocking Valley Community Hospital Memorial Fund, Inc.	
	2022	2021 (As Restated)	2022	2021
Current liabilities				
Current portion lease liability	$ 485,458	$ 335,175	$ -	$ -
Current portion of long-term debt	223,358	373,884	43,974	42,350
Accounts payable and accrued expenses	2,201,601	2,274,780	14,097	8,961
Accrued payroll and related liabilities	1,175,983	1,101,342	-	-
Unearned revenue	-	1,749	-	-
Self-insurance liabilities	411,610	340,435	-	-
Accrued vacation and sick leave	732,830	686,513	-	-
Estimated amounts due to third party payors	-	249,747	-	-
Refundable advances, current portion	1,673,528	3,988,204	-	-
Total current liabilities	6,904,368	9,351,829	58,071	51,311
Noncurrent liabilities, net of current portions				
Noncurrent lease liability	2,257,981	636,577	-	-
Net pension liability	8,106,689	13,267,661	-	-
Long-term debt	1,715,871	1,149,311	852,284	896,122
Total noncurrent liabilities	12,080,541	15,053,549	852,284	896,122
Total liabilities	18,984,909	24,405,378	910,355	947,433
Deferred inflows of resources				
Pension	9,898,858	5,883,032	-	-
Other post-employment benefits	2,901,264	4,756,634	-	-
Total deferred inflows of resources	12,800,122	10,639,666	-	-
Net position				
Net investment in capital assets	7,008,439	7,397,485	1,170,896	1,169,565
Restricted for:				
Nonexpendable:				
Endowment	-	-	179,236	179,236
Expendable:				
Donor restricted for various purposes	-	-	38,816	38,816
Unrestricted	(2,781,105)	(7,652,112)	1,412,026	1,059,912
Total net position	4,227,334	(254,627)	2,800,974	2,447,529
Total liabilities, deferred inflows of resources and net position	$ 36,012,365	$ 34,790,417	$ 3,711,329	$ 3,394,962

See accompanying notes to financial statements.

HOCKING VALLEY COMMUNITY HOSPITAL
(A COMPONENT UNIT OF HOCKING COUNTY, STATE OF OHIO)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2022 AND 2021

	Hocking Valley Community Hospital		Component Unit The Hocking Valley Community Hospital Memorial Fund, Inc.	
	2022	2021 (As Restated)	2022	2021
Operating revenues				
Net patient service revenue	$ 39,424,503	$ 40,287,611	$ -	$ -
Other operating revenue	585,477	477,513	96,000	96,000
Total operating revenues	40,009,980	40,765,124	96,000	96,000
Operating expenses				
Salaries and wages	15,587,287	14,644,961	-	-
Employee benefits	1,264,774	(5,214,518)	-	-
Supplies and other expenses	8,422,775	7,949,749	49,765	35,566
Professional fees and service	6,424,734	5,985,680	-	-
Depreciation and amortization	1,801,783	2,139,930	40,883	40,884
Insurance	194,361	155,653	-	-
Total operating expenses	33,695,714	25,661,455	90,648	76,450
Operating income (loss)	6,314,266	15,103,669	5,352	19,550
Nonoperating revenues (expenses)				
Payments made to The Hocking Valley Community Hospital Memorial Fund, Inc.	(2,850,051)	(2,198,669)	-	-
Net investment income (loss)	191,889	42,703	(33,125)	61,949
Interest expense	(158,042)	(141,698)	(35,136)	(36,661)
Other nonoperating income	20,904	47,881	-	-
Grant expenses and support	-	-	(34,400)	(4,197)
Noncapital grants and contributions	962,995	5,962,755	450,754	100,201
Total nonoperating revenues (expenses)	(1,832,305)	3,712,972	348,093	121,292
Excess of revenues over expenses	4,481,961	18,816,641	353,445	140,842
Net position - beginning of year				
Beginning of year, as previously reported	(254,627)	(19,059,555)	2,447,529	2,306,687
Cumulative effect of accounting change	-	(11,713)	-	-
Net position - beginning of year, as restated	(254,627)	(19,071,268)	2,447,529	2,306,687
Net position, end of year	$ 4,227,334	$ (254,627)	$ 2,800,974	$ 2,447,529

See accompanying notes to financial statements.

HOCKING VALLEY COMMUNITY HOSPITAL
(A COMPONENT UNIT OF HOCKING COUNTY, STATE OF OHIO)

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	Hocking Valley Community Hospital		Component Unit The Hocking Valley Community Hospital Memorial Fund, Inc.	
	2022	2021 (As Restated)	2022	2021
Cash flows from operating activities				
Cash received from patients and third party payors	$ 35,175,730	$ 37,653,624	$ -	$ -
Cash paid to employees for wages and benefits	(21,707,418)	(20,120,157)	-	-
Cash paid to vendors for goods and services	(15,012,659)	(15,207,860)	(47,629)	(34,818)
Other receipts	585,477	477,513	96,000	96,000
Net cash provided by operating activities	(958,870)	2,803,120	48,371	61,182
Cash flows from noncapital financing activities				
Grants, contributions, and other nonoperating revenue	983,899	2,351,074	450,754	100,201
Grant expenses and support	-	-	(34,400)	(4,197)
Payments made to The Hocking Valley Community Hospital Memorial Fund, Inc.	(2,850,051)	(2,198,669)	-	-
Net cash provided by (used in) noncapital financing activities	(1,866,152)	152,405	416,354	96,004
Cash flows from capital and related financing activities				
Issuance of long-term debt	818,741	-	-	-
Principal payments on long-term debt	(402,707)	(689,559)	(42,214)	(40,632)
Principal payments on lease obligations	(470,774)	(413,631)	-	-
Interest paid	(158,042)	(122,854)	(35,136)	(36,661)
Acquisition and construction of capital assets	(1,357,997)	(1,425,589)	-	-
Net cash provided by (used in) capital and related financing activities	(1,570,779)	(2,651,633)	(77,350)	(77,293)
Cash flows from investing activities				
Interest and dividend income	191,889	42,703	3,339	2,650
Sale of investments	4,050,000	1,218,839	3,549	74,184
Investment purchases and reinvestments	(119,865)	(1,500,000)	-	-
Net cash provided by (used in) investing activities	4,122,024	(238,458)	6,888	76,834
Net increase in cash and cash equivalents	(273,777)	65,434	394,263	156,727
Cash and cash equivalents:				
Beginning of year	1,209,045	1,143,611	604,138	447,411
End of year	$ 935,268	$ 1,209,045	$ 998,401	$ 604,138

See accompanying notes to financial statements.

HOCKING VALLEY COMMUNITY HOSPITAL
(A COMPONENT UNIT OF HOCKING COUNTY, STATE OF OHIO)

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	Hocking Valley Community Hospital		Component Unit The Hocking Valley Community Hospital Memorial Fund, Inc.	
	2022	2021	2022	2021
Reconciliation of operating income to net cash provided by operating activities				
Operating income	$ 6,314,266	$ 15,103,669	$ 5,352	$ 19,550
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation and amortization	1,801,783	2,139,930	40,883	40,884
Provision for bad debt	2,461,522	2,843,022	-	-
Pension benefit (GASB 68)	(2,813,565)	(1,654,549)	-	-
Other post employment benefits (GASB 75)	(2,233,925)	(9,365,356)	-	-
Changes in:				
Patient accounts receivable	(4,028,278)	(4,345,910)	-	-
Inventories, prepaid expenses and other assets	102,390	(998,112)	(3,000)	137
Accounts payable, accrued expenses and unearned revenue	(74,928)	(119,415)	5,136	611
Accrued payroll and related liabilities	74,641	392,792	-	-
Self-insurance liabilities	71,175	(62,666)	-	-
Refundable advances	(2,314,676)	(1,412,827)	-	-
Estimated amounts due from third-party payors	(365,592)	282,479	-	-
Accrued vacation and sick leave	46,317	63	-	-
Net cash provided by operating activities	$ (958,870)	$ 2,803,120	$ 48,371	$ 61,182
Supplemental disclosure of noncash capital financing activities				
Assets acquired under lease obligations	$ 2,242,461	$ 273,223	$ -	$ -
Gain on Paycheck Protection Program loan forgiveness	$ -	$ 3,659,562	$ -	$ -

See accompanying notes to financial statements.

1. REPORTING ENTITY

Hocking Valley Community Hospital (the Hospital), located in Hocking County, Logan, Ohio, is organized as a county hospital under provisions of the general statues of the state of Ohio requiring no specific articles of incorporation. The organization is exempt from Federal income taxes. The Board of Trustees, appointed by the county commissioners and the probate and common pleas court judges, is charged with the management and operation of the Hospital, its finances and staff. The Hospital is considered a component unit of Hocking County, Ohio and is included as a component unit in the basic financial statements of Hocking County.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the Hocking Valley Community Hospital Memorial Fund, Inc. (Foundation) is included as a discretely presented component unit in a separate column in the Hospital's financial statements to emphasize that it is legally separate from the Hospital. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the Hospital in support of its programs. Although the Hospital does not control the timing or the amounts of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests, is restricted to support the activities of the Hospital. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the Hospital, it is considered a component unit of the Hospital. The Foundation is a private nonprofit organization that reports under accounting principles generally accepted in the United States of America set forth by Financial Accounting Standards Board (FASB) standards.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements include the accounts of the Hospital and its component unit, the Foundation. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, issued in June 1999*. The Hospital follows the "business-type" activities reporting requirements of GASB Statement No. 34, which provides a comprehensive look at the Hospital's financial activities.

The Foundation reports under accounting principles generally accepted in the United States of America set forth by FASB standards. As such, certain presentation features for the Foundation have been conformed to the GASB presentation. There were no significant differences between the two frameworks related to the Foundation.

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Proprietary Fund Accounting

The Hospital utilizes the propriety fund method of accounting whereby revenue and expenses are recognized on the full accrual basis. Substantially all revenue and expenses are subject to accrual.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less at the date of purchase.

Inventories

Inventories, consisting primarily of medical supplies and drugs, are valued at the lower of cost, determined by the first-in, first-out method, or market.

Investments

The Hospital records its investments at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Unrealized gains and losses on investments are included in net investment income (loss) in the statements of revenues, expenses and changes in net position.

The Foundation records its investments at fair value in accordance with the Investments Topic of the Accounting Standards Codification. Differences between cost and fair value are recognized as unrealized gains or losses in the period in which they occur. The realized gain or loss on investments is the difference between the proceeds received and the cost of investments sold.

The Hospital and Foundation hold investments which are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements.

Donor Restricted Investments

Donor restricted investments consist of assets maintained by the Foundation whose use is restricted by a donor.

Statements of Revenues, Expenses, and Changes in Net Position

The Hospital recognizes as operating revenues those transactions that are major or central to the provision of health care services. Operating revenues include those revenues received for direct patient care, grants received from organizations as reimbursement for patient care, and other incidental revenue associated with patient care. Operating expenses include those costs associated with providing patient care including costs of professional services, operating the hospital facilities, administrative expenses, and depreciation and amortization. Nonoperating revenues include investment income and grants and contributions received for purposes other than capital asset acquisition. Nonoperating expenses include interest expense, investment losses, and expenses for grants to the Foundation which represent amounts paid to the Foundation for the benefit of Hocking Valley Medical Group (see Note 17).

Capital Assets

Purchased, constructed, or right-to-use leased capital assets are reported at historical costs. Contributed capital assets are recorded at their estimated fair value at the time of their donation. Expenditures for capital assets must exceed $5,000 in order for them to be capitalized. Expenditures that substantially increase the useful lives of existing assets are capitalized. Routine maintenance and repairs are expensed as incurred. All capital assets other than land are depreciated or amortized (in the case of right-to-use assets) using the straight-line method of depreciation using these useful lives:

Buildings and related improvements	10 to 40 years
Fixed equipment	10 to 20 years
Moveable equipment	3 to 20 years
Land improvements	10 to 20 years

Depreciation expense on right-to-use assets is included in depreciation and amortization in the statements of revenues, expenses, and changes in net position. The asset and accumulated depreciation are removed from the related accounts when the asset is disposed. Any gain or loss resulting from this disposal is recorded in the statements of revenues, expenses, and changes in net position.

Compensated Absences

The Hospital's employees earn vacation time at varying rates depending on years of service. Employees may accumulate vacation time, up to 400 hours, to be carried over to the subsequent year. The Hospital's employees also earn sick leave on an annual basis at a flat rate regardless of years of service. Upon retirement, employees age 65 or older with a minimum of 10 years of service, and employees with 30 years of service regardless of age have sick leave balances paid out at 25% of eligible hours at their current rate of pay. The maximum payout is 240 hours. As of December 31, 2022 and 2021, the liability for accrued vacation and sick leave was $732,830 and $686,513, respectively.

Grants and Contributions

From time to time, the Hospital receives grants and contributions from governmental organizations, private 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 as nonoperating revenues and expenses.

Restricted Resources

When the Hospital has both restricted and unrestricted resources available to finance a particular program, it is the Hospital's policy to use restricted resources before unrestricted resources.

Net Position

Net Investment in Capital Assets: Consists of capital assets, net of accumulated depreciation, and is reduced by the balances of any outstanding borrowings used to finance the purchase or construction of those assets.

Restricted Net Position: Results when constraints placed on the use of the net position are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provision or enabling legislation.

Unrestricted Net Position: Consists of remaining net position that does not meet the previously listed criteria.

Risk Management

The Hospital is exposed to various risks of loss related to torts; theft or, damage to, and destruction of assets; business interruptions; errors and omissions; injuries to employees; and natural disasters. Commercial insurance coverage is purchased for claims arising in such matters.

Franchise Fee

Effective July 1, 2009, the state of Ohio began assessing a franchise fee to hospitals to fund health care programs. The Hospital incurred franchise fee expenses of $1,070,834 and $848,295 in 2022 and 2021, respectively, and recorded the amount in supplies and other expenses in the statements of revenues, expenses, and changes in net position. Additionally, the Hospital paid $534,417 of its 2021 franchise fee payment in advance, which was reflected in the statements of net position as prepaid expenses as of December 31, 2021. The Hospital did not prepay its 2022 franchise fee payment in advance. There was no franchise fee liability payable to the state of Ohio at December 31, 2022 and 2021.

Patient Accounts Receivable and Net Patient Service Revenue

The Hospital recognizes net patient service revenues on the accrual basis of accounting in the reporting period in which services are performed based on the current gross charge structure, less actual adjustments and estimated discounts for contractual allowances, principally for patients covered by Medicare, Medicaid, managed care and other health plans. The Hospital is designated as a critical access facility by the Medicare program. As a result, Medicare inpatient and outpatient services are reimbursed at the approximate cost plus 1% of providing those services subject to the federal sequestration provisions. Payment for the majority of Medicaid inpatient and outpatient services is based on a prospectively determined fixed price. Gross patient service revenue is recorded in the accounting records using the established rates for the type of service provided to the patient. The Hospital recognizes an estimated contractual allowance to reduce gross patient charges to the estimated net realizable amount for services rendered based upon previously agreed-to rates with a payor. The Hospital utilizes the patient accounting system to calculate contractual allowances on a payor-by-payor basis based on the rates in effect for each primary third-party payor. Another factor that is considered and could further influence the level of the contractual reserves includes the status of accounts receivable balances as inpatient or outpatient. The Hospital's management continually reviews the contractual estimation process to consider and incorporate updates to laws and regulations and the frequent changes in managed care contractual terms that result from contract renegotiations and renewals.

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

The Hospital estimates an allowance for doubtful accounts based on an evaluation of historical losses, current economic conditions, and other factors unique to the Hospital.

Charity Care

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

Of the Hospital's total operating expenses (approximately $33,696,000 and $25,661,000 during 2022 and 2021, respectively), an estimated $249,000 and $181,000 arose from providing services to charity patients during 2022 and 2021, respectively. The estimated costs of providing charity services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on the Hospital's total expenses divided by gross patient service revenue. The Hospital participates in the Hospital Care Assurance Program (HCAP), which provides for additional payments to hospitals that provide a disproportionate share of uncompensated services to the indigent and uninsured. Net amounts recognized through this program totaled $1,086,844 and $1,610,861 for 2022 and 2021, respectively, and are reported as net patient service revenue in the financial statements.

Pension and Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net pension and OPEB assets and liabilities, deferred outflows of resources and deferred inflows of resources related to the pension and OPEB, and pension and OPEB income and expense, information about the net position of the Ohio Public Employees Retirement System (OPERS) and addition to/deductions from the OPERS's net position have been determined on the same basis as they are reported by the OPERS.

Reclassifications

Certain amounts in the 2021 financial statements have been reclassified to conform to the current year presentation. There were no changes in excess of revenues over expenses or total net position as a result of reclassifications.

Subsequent Events

The Hospital has evaluated subsequent events through May 18, 2023, the date the financial statements were available to be issued.

3. CHANGE IN ACCOUNTING PRINCIPLE

On January 1, 2022, the Hospital implemented GASB Statement No. 87 – *Leases*, which requires all leases that have a maximum possible term greater than 12 months to be recorded in the statement of net position. Previously, leases classified as operating leases were not recorded in the statement of net position. The following table outlines the prior period adjustments necessary to implement this standard.

Statement of Net Position

	As previously stated, December 31, 2021	Adjustment	As restated, December 31, 2021
Net position	$ (235,006)	$ (19,621)	$ (254,627)
Buildings, land improvements and equipment, net	9,380,505	(552,765)	8,827,740
Intangible right-to-use assets, net	-	917,813	917,813
Current portion of capital lease obligations	294,398	(294,398)	-
Noncurrent portion of capital lease obligations	292,685	(292,685)	-
Current portion lease liability	-	335,175	335,175
Noncurrent portion lease liability	-	636,577	636,577

Statement of Revenues, Expenses, and Changes in Net Position

	As previously stated, December 31, 2021	Adjustment	As restated, December 31, 2021
Supplies and other expense	$ 8,009,749	$ (60,000)	$ 7,949,749
Depreciation and amortization	2,093,328	46,602	2,139,930
Interest expense	120,394	21,304	141,698
Net decrease in position at December 31, 2021		$ 7,906	

4. FUNCTIONAL EXPENSES AND OTHER – FOUNDATION

The Foundation performs fund-raising services on behalf of the Hospital. Expenses related to providing these services for the year ended December 31, 2022 were as follows:

	Fundraising
Supplies and other expenses	$ 49,765
Depreciation	40,883
	$ 90,648

Expenses related to providing these services for the year ended December 31, 2021 were as follows:

	Fundraising
Supplies and other expenses	$ 35,566
Depreciation	40,884
	$ 76,450

Liquidity and Availability of Resources

The Foundation's financial assets available within one year of the statement of net position date for general expenditures for the years ended December 31 are as follows:

	2022	2021
Cash and cash equivalents	$ 998,401	$ 604,138
Investments	134,722	174,735
	$ 1,133,123	$ 778,873

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of net position date. As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Foundation invests cash in excess of daily requirements in short-term investments.

5. DEPOSITS AND INVESTMENTS

Deposits

State law requires insurance or collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Hospital's deposits might not be recovered. Through December 31, 2022, Federal Deposit Insurance Corporation (FDIC) insurance for funds held in interest bearing accounts is $250,000 per depositor per category of legal ownership. Ohio Revised Code requires that deposits in excess of FDIC insured amounts are collateralized. The Hospital's investment policy does not address custodial credit risk but it believes that the Hospital's depository bank carries sufficient collateral to cover the total amount of public funds on deposit with the bank (after FDIC coverage) and is in compliance with the requirements specified in Sections 135.18 and 135.181 of the Ohio Revised Code.

The bank balances of the Hospital's deposits at December 31, 2022 and 2021 totaled $7,205,150 and $11,566,370, respectively, and were subject to the following categories of custodial credit risk:

	2022	2021
Collateral held by the counterparty's agent but not in the name of the Hospital	$ 870,800	$ 1,301,885
Total amount subject to custodial risk	870,800	1,301,885
Amount insured	6,334,350	10,264,485
Total bank balances	$ 7,205,150	$ 11,566,370

Investments – The Hospital

The Hospital has adopted an investment policy that is consistent with the allowable investments provided by the Auditor of State. The policy authorizes the Hospital to invest in the following:

- United States obligations or any other obligation guaranteed as to principal and interest by the United States.
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality.
- Interim deposits in the eligible institutions applying for interim monies as provided in Ohio Revised Code Section 135.08.
- Bonds or other obligations of the state of Ohio.
- The Ohio Subdivisions Fund (Star Ohio) as provided in Ohio Revised Code Section 135.45.
- Certificates of deposit.

The Hospital's investments generally are reported at fair value, as discussed in Note 2. At December 31, 2022 and 2021, the Hospital had the following investments, maturities and rates (per Standard & Poor's), all of which were held in the Hospital's name by custodial banks that are agents of the Hospital:

	2022		
		Investment Maturities	
	Carrying Amount	Less than 1 Year	1-5 Years
Money market funds			
AAA	$ 6,069,687	$ 6,069,687	$ -
	$ 6,069,687	$ 6,069,687	$ -

	2021		
		Investment Maturities	
	Carrying Amount	Less than 1 Year	1-5 Years
Money market funds			
AAA	$ 9,999,822	$ 9,999,822	$ -
	$ 9,999,822	$ 9,999,822	$ -

Interest Rate Risk

The Hospital's investment policies limit investment portfolios to maturities of five years or less. All of the Hospital's investments at December 31, 2022 and 2021 have effective maturity dates of less than five years.

Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Hospital will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Hospital's investment policy does not address custodial credit risk. For the years ended December 31, 2022 and 2021, the Hospital is not exposed to custodial credit risk as it relates to its investment portfolio.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of investments in any issuer. This does not apply to obligations and agencies of the United States Treasury which are deemed to be "risk-free". The Hospital's investment policy requires that the portfolio be structured to diversify investments to reduce the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer or a specific type of security. The Hospital believes that it is not exposed to any significant credit risk on investments.

Investments – The Foundation

As of December 31, the fair values of the Foundation's investments were as follows:

	2022	2021
Mutual funds	$ 172,539	$ 189,327
Exchange traded funds	131,451	175,141
Common stock	42,681	28,164
Money market funds	6,103	155
	$ 352,774	$ 392,787

The Foundation's investments are reflected in the statements of net position as follows at December 31:

	2022	2021
Investments - current assets	$ 134,722	$ 174,735
Donor restricted investments - noncurrent assets	218,052	218,052
	$ 352,774	$ 392,787

The Foundation's investment income for the year ended December 31 consisted of the following:

	2022	2021
Interest and dividends, net of investment management fees	$ 3,339	$ 2,650
Net unrealized/realized gains/(losses)	(36,464)	59,299
	$ (33,125)	$ 61,949

6. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy are described as follows:

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

- Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

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

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2022 and 2021.

- Money markets – Valued based at the subscription and redemption activity at a $1 stable net asset value (NAV). However, on a daily basis the funds are valued at their daily NAV calculated using the amortized cost of the securities held in the fund.

- Mutual funds - Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

- Exchange traded funds - Valued at the daily closing price as reported by the fund. Exchange traded funds held by the Foundation are funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The exchange traded funds held by the Foundation are deemed to be actively traded.

- Common stock – Valued at the closing price reported on the active market on which the individual securities are traded.

The following table sets forth by level, within the fair value hierarchy, the Hospital's assets at fair value as of December 31, 2022 and 2021. Classification within the fair value hierarchy table is based on the lowest level of any input that is significant to the fair value measurement.

	2022			
	Level 1	Level 2	Level 3	Total
Money market funds				
AAA	$ -	$ 6,069,687	$ -	$ 6,069,687
	$ -	$ 6,069,687	$ -	$ 6,069,687

	2021			
	Level 1	Level 2	Level 3	Total
Money market funds				
AAA	$ -	$ 9,999,822	$ -	$ 9,999,822
	$ -	$ 9,999,822	$ -	$ 9,999,822

The Hospital's policy is to recognize transfers between levels as of the end of the reporting period. Foundation assets measured at fair value on a recurring basis as of December 31, 2022 are as follows:

	Level 1	Level 2	Level 3	Total
Money market	$ -	$ 6,103	$ -	$ 6,103
Mutual funds:				
Fixed income	27,533	-	-	27,533
Foreign large blend	22,874	-	-	22,874
Foreign large growth	6,751			6,751
Foreign mid growth	3,345			3,345
Large growth	40,965	-	-	40,965
Mid-cap growth	52,058	-	-	52,058
Small value	19,013	-	-	19,013
Exchange traded funds:				
Fixed income	20,853	-	-	20,853
Foreign large blend	29,526	-	-	29,526
Large value	54,401	-	-	54,401
Mid-cap value	15,109	-	-	15,109
Small blend	11,562	-	-	11,562
Common stock:				
Energy	42,681	-	-	42,681
Total investments	$ 346,671	$ 6,103	$ -	$ 352,774

Foundation assets measured at fair value on a recurring basis as of December 31, 2021 are as follows:

	Level 1	Level 2	Level 3	Total
Money market	$ -	$ 155	$ -	$ 155
Mutual funds:				
Money market	6,209	-	-	6,209
Fixed income	32,290	-	-	32,290
Foreign large blend	35,168	-	-	35,168
Large growth	51,180	-	-	51,180
Mid-cap growth	46,716	-	-	46,716
Small value	17,764	-	-	17,764
Exchange traded funds:				
Fixed income	45,460	-	-	45,460
Foreign large blend	31,224	-	-	31,224
Large value	69,185	-	-	69,185
Mid-cap value	15,033	-	-	15,033
Small blend	14,239	-	-	14,239
Common stock:				
Energy	28,164	-	-	28,164
Total investments	$ 392,632	$ 155	$ -	$ 392,787

7. CAPITAL ASSETS

The Hospital's capital asset additions, transfers, retirements, and balances as of and for the years ended December 31, were as follows:

	2022				
	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Capital assets not being depreciated:					
Land	$ 5,120	$ -	$ -	$ -	$ 5,120
Construction in process	141,759	721,007	(134,414)	-	728,352
Total non-depreciable capital assets	146,879	721,007	(134,414)	-	733,472
Depreciable capital assets:					
Land improvements	559,611	-	-	-	559,611
Buildings and improvements	17,846,014	292,989	74,007	-	18,213,010
Equipment	21,576,808	344,001	884,296	-	22,805,105
Total depreciable capital assets	39,982,433	636,990	958,303	-	41,577,726
Less accumulated depreciation:					
Land improvements	(452,536)	(35,916)	-	-	(488,452)
Buildings and improvements	(12,087,981)	(595,534)	-	-	(12,683,515)
Equipment	(18,614,176)	(659,928)	(871,299)	-	(20,145,403)
Total accumulated depreciation	(31,154,693)	(1,291,378)	(871,299)	-	(33,317,370)
Total depreciable capital assets, net	8,827,740	(654,388)	87,004	-	8,260,356
Intangible right-to-use assets:					
Leased equipment	1,539,743	2,242,461	(823,889)	-	2,958,315
Leased building space	466,019	-	-	-	466,019
Total intangible right-to-use assets	2,005,762	2,242,461	(823,889)	-	3,424,334
Less accumulated amortization:					
Leased equipment	(986,978)	(463,803)	871,299	-	(579,482)
Leased building space	(100,971)	(46,602)	-	-	(147,573)
Total accumulated amortization	(1,087,949)	(510,405)	871,299	-	(727,055)
Total intangible right-to-use assets, net	917,813	1,732,056	47,410	-	2,697,279
Total capital assets, net	$ 9,892,432	$ 1,798,675	$ -	$ -	$ 11,691,107

	2021				
	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Non-depreciable capital assets:					
Land	$ 5,120	$ -	$ -	$ -	$ 5,120
Construction in process	765,178	112,741	(736,160)	-	141,759
Total non-depreciable capital assets	770,298	112,741	(736,160)	-	146,879
Depreciable capital assets:					
Land improvements	559,611	-	-	-	559,611
Buildings and improvements	17,684,546	139,078	22,390	-	17,846,014
Equipment	19,675,246	1,173,770	727,792	-	21,576,808
Total depreciable capital assets	37,919,403	1,312,848	750,182	-	39,982,433
Less accumulated depreciation:					
Land improvements	(415,657)	(36,879)	-	-	(452,536)
Buildings and improvements	(11,464,683)	(623,298)	-	-	(12,087,981)
Equipment	(17,518,790)	(1,081,364)	(14,022)	-	(18,614,176)
Total accumulated depreciation	(29,399,130)	(1,741,541)	(14,022)	-	(31,154,693)
Total depreciable capital assets, net	9,151,602	(507,257)	736,160	-	8,827,740
Intangible right-to-use assets:					
Leased equipment	1,940,592	273,223	-	(674,072)	1,539,743
Leased building space	466,019	-	-	-	466,019
Total intangible right-to-use assets	2,406,611	273,223	-	(674,072)	2,005,762
Less accumulated amortization:					
Leased equipment	(1,309,263)	(351,787)	-	674,072	(986,978)
Leased building space	(54,369)	(46,602)	-	-	(100,971)
Total accumulated amortization	(1,363,632)	(398,389)	-	674,072	(1,087,949)
Total intangible right-to-use assets, net	1,042,979	(125,166)	-	-	917,813
Total capital assets, net	$ 10,964,879	$ (519,682)	$ -	$ -	$ 9,892,432

Total depreciation and amortization expense related to the Hospital's capital assets for 2022 and 2021 was $1,801,783 and $2,139,930, respectively.

The Foundation's capital asset additions, transfers, retirements, and balances as of and for the years ended December 31, were as follows:

	2022				
	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Capital assets not being depreciated:					
Land	$ 954,288	$ -	$ -	$ -	$ 954,288
Total non-depreciable capital assets	954,288	-	-	-	954,288
Depreciable capital assets:					
Buildings and improvements	1,694,990	-	-	-	1,694,990
Equipment	12,421	-	-	-	12,421
Total depreciable capital assets	1,707,411	-	-	-	1,707,411
Less accumulated depreciation:					
Buildings and improvements	(541,241)	(40,883)	-	-	(582,124)
Equipment	(12,421)	-	-	-	(12,421)
Total accumulated depreciation	(553,662)	(40,883)	-	-	(594,545)
Total depreciable capital assets, net	1,153,749	(40,883)	-	-	1,112,866
Total capital assets, net	$ 2,108,037	$ (40,883)	$ -	$ -	$ 2,067,154

	2021				
	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Capital assets not being depreciated:					
Land	$ 954,288	$ -	$ -	$ -	$ 954,288
Total non-depreciable capital assets	954,288	-	-	-	954,288
Depreciable capital assets:					
Buildings and improvements	1,694,990	-	-	-	1,694,990
Equipment	12,421	-	-	-	12,421
Total depreciable capital assets	1,707,411	-	-	-	1,707,411
Less accumulated depreciation:					
Buildings and improvements	(500,357)	(40,884)	-	-	(541,241)
Equipment	(12,421)	-	-	-	(12,421)
Total accumulated depreciation	(512,778)	(40,884)	-	-	(553,662)
Total depreciable capital assets, net	1,194,633	(40,884)	-	-	1,153,749
Total capital assets, net	$ 2,148,921	$ (40,884)	$ -	$ -	$ 2,108,037

Total depreciation expense related to the Foundation's capital assets for 2022 and 2021 was $40,883 and $40,884, respectively.

Intangible Right-to-Use Assets

In 2022, the Hospital implemented the guidance in GASB Statement No. 87 – *Leases* and recognized the value of equipment and building space leased under long-term contracts.

As of December 31, 2020, the Hospital had fifteen lease agreements in place for various pieces of medical and office equipment. Terms of the leases are described in Note 8.

8. LEASE OBLIGATIONS

In 2022, the Hospital implemented the guidance of GASB Statement No. 87 – *Leases* for accounting and reporting leases that had previously been reported as operating leases.

Medical and Office Equipment Leases

The Hospital has a variety of leases related to medical and office equipment. Terms of these leases range between 36 and 84 months and carry monthly minimum payments from $334 to $29,965. For purposes of discounting future payments on leases, the Hospital uses the incremental borrowing rate, unless an interest rate is explicitly stated on the agreement related to corresponding leases. The leased equipment and accumulated amortization of the right-to-use assets are outlined in Note 7. The prior period adjustment is discussed in Note 3.

Building Lease

The Hospital leases building space from the Foundation for use as commercial medical space. The Hospital anticipates it will exercise renewal options on the lease until September 30, 2029. The current monthly payment is $5,000. The present value of the lease was determined using the incremental borrowing rate at the date of lease inception of 5.25%. The leased building space and accumulated amortization of the right-to-use asset is outlined in Note 7. The prior period adjustment is described in Note 3.

Remaining payments on these leases include:

Lease Payments to Maturity

	Equipment			Building Space		
	Principal	Interest	Total	Principal	Interest	Total
2023	$ 442,488	$ 79,320	$ 521,808	$ 42,970	$ 17,030	$ 60,000
2024	392,208	62,317	454,525	45,281	14,719	60,000
2025	366,280	47,599	413,879	47,716	12,284	60,000
2026	328,206	35,094	363,300	50,283	9,717	60,000
2027	335,689	23,891	359,580	52,987	7,013	60,000
Thereafter	534,677	14,443	549,120	104,654	9,509	114,163
Totals	$ 2,399,548	$ 262,664	$ 2,662,212	$ 343,891	$ 70,272	$ 414,163

9. LINE OF CREDIT

The Hospital has a $1,000,000 line of credit with a bank that is collateralized by all patient accounts receivable. The line of credit is due on demand. Interest is payable at a variable rate of prime plus 1.04% (8.54% and 4.29% at December 31, 2022 and 2021, respectively). The Hospital did not have any amounts outstanding as of December 31, 2022 or 2021.

10. LONG-TERM DEBT

Debt – Hospital

Information regarding the Hospital's long-term debt activity and balances as of and for the year ended December 31, is as follows:

	2022				
	Beginning Balance	Additions	Payments/ Reductions	Ending Balance	Due Within One Year
Direct borrowings:					
Note payable, OAQDA	$ 1,279,793	$ -	$ (130,482)	$ 1,149,311	$ 134,461
Note payable, OSUWMC	243,402	-	(243,402)	-	-
Note payable, Merchants National Bank	-	818,741	(28,823)	789,918	88,897
Total direct borrowings	1,523,195	818,741	(402,707)	1,939,229	223,358
Total debt	$ 1,523,195	$ 818,741	$ (402,707)	$ 1,939,229	$ 223,358

	2021				
	Beginning Balance	Additions	Payments/ Reductions	Ending Balance	Due Within One Year
Direct borrowings:					
Note payable, OAQDA	$ 1,406,413	$ -	$ (126,620)	$ 1,279,793	$ 130,482
Note payable, OSUWMC	806,341	-	(562,939)	243,402	243,402
Paycheck Protect Program loan	3,659,562	-	(3,659,562)	-	-
Total direct borrowings	5,872,316	-	(4,349,121)	1,523,195	373,884
Total debt	$ 5,872,316	$ -	$ (4,349,121)	$ 1,523,195	$ 373,884

During 2016, the Hospital signed two direct borrowing notes payable with the Ohio Air Quality Development Authority (OAQDA) totaling $1,918,748 to make energy efficient capital improvements to the Hospital. The first note, which totaled $1,000,000, bears interest at 4.25%, with interest payments through December 1, 2030, due semi-annually. Annual principal payments begin December 1, 2024, with the final payment due December 1, 2030. The second note, which totaled $918,748, bears interest at 3.05% with annual principal and interest payments beginning December 1, 2016, through December 1, 2024. At December 31, 2022 and 2021, the balance outstanding under these notes payable totaled $1,149,311 and $1,279,793, respectively.

The OAQDA notes payable contain a provision that whenever an event of default occurs, the principal and interest outstanding is due and payable immediately. The notes are not secured by any assets owned by the Hospital.

During 2018, the Hospital signed a note payable with The Ohio State University Wexner Medical Center (OSUWMC) totaling $2,130,549 to implement a new electronic medical record system at the Hospital. The note includes imputed interest at 5.25% with monthly payments beginning in June 2017 through May 2022. The note is not secured by any assets owned by the Hospital. At December 31, 2022 and 2021, the balance outstanding under this note payable was $0 and $243,402, respectively. See Note 19 for further discussion.

During 2022, the Hospital signed a direct borrowing note payable with Merchants National Bank totaling $818,741 to replace the roof of the Hospital building. Monthly payments of at least $5,053 began in September 2022 and can continue through September 2032. The note bears interest through September 2027 at a rate of 4.15%, after which point the interest rate will adjust to the 5 Year Treasury rate as of September 2027, plus 3.5%, except that the interest rate on the note payable at September 2027 cannot fall below 4.15% or rise above 10.0%. A balloon payment of up to $523,493 of interest and principal will be due September 2032 if the Hospital makes the minimum allowed monthly payment throughout the term of the loan. The Hospital has remitted payments in excess of the minimum payment amount each month in 2022 and intends to continue doing so in future periods in order to avoid paying a balloon payment at the loan termination date.

As part of the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act, certain businesses were eligible to receive a loan from the Small Business Association (SBA) through the Paycheck Protection Program (PPP) under CFDA #59.073. The PPP loan is unsecured, bears interest at 1%, and funds advanced under the program are subject to forgiveness if certain criteria is met. The PPP loans may be forgivable to the extent that the employer incurs and spends the funds on qualified expenditures, which include payroll, employee health insurance, rent utilities, and interest costs during the covered period as defined by the PPP guidance. In addition, employers must maintain specified employment and wage levels during the pandemic and submit adequate documentation of such expenditures to qualify for loan forgiveness. The loan was forgiven in full in 2021. As a result, the Hospital recorded $3,659,562 in nonoperating revenues in 2021.

Long-term debt payment requirements for fiscal years subsequent to December 31, 2022, are as follows:

	Notes from Direct Borrowings		
	Principal	Interest	Total
2023	$ 223,358	$ 77,815	$ 301,173
2024	231,219	69,820	301,039
2025	237,394	60,168	297,562
2026	243,531	50,090	293,621
2027	247,276	42,347	289,623
Thereafter	756,451	66,556	823,007
	$ 1,939,229	$ 366,796	$ 2,306,025

Debt – Foundation

Information regarding the Foundation's long-term debt activity and balances as of and for the year ended December 31, is as follows:

	2022				
	Beginning Balance	Additions	Payments/ Reductions	Ending Balance	Due Within One Year
Commercial loan	$ 938,472	$ -	$ (42,214)	$ 896,258	$ 43,974
Total debt	$ 938,472	$ -	$ (42,214)	$ 896,258	$ 43,974

	2021				
	Beginning Balance	Additions	Payments/ Reductions	Ending Balance	Due Within One Year
Commercial loan	$ 979,104	$ -	$ (40,632)	$ 938,472	$ 42,350
Total debt	$ 979,104	$ -	$ (40,632)	$ 938,472	$ 42,350

During 2018, the Foundation signed a note payable with Citizens Bank of Logan, now Merchants National Bank, totaling $1,080,000 to purchase a new Medical Office Building. The note from direct borrowings bears interest at 3.77% with annual principal and interest payments beginning April 18, 2018, through April 18, 2038. Beginning on April 18, 2023, the interest rate is subject to change annually based on the weekly average yield of United States treasury securities. At December 31, 2022 and 2021, the balance outstanding under this note payable was $896,258 and $938,472, respectively.

The Foundation is required to meet a minimum debt service coverage ratio. Management believes the Foundation was in compliance with this covenant as of December 31, 2022 and 2021.

Long-term debt obligation payment requirements for fiscal years subsequent to December 31, 2022, are as follows:

	Principal	Interest	Total
2023	$ 43,974	$ 32,999	$ 76,973
2024	45,661	31,312	76,973
2025	47,413	29,560	76,973
2026	49,231	27,742	76,973
2027	51,120	25,853	76,973
Thereafter	658,859	137,471	796,330
	$ 896,258	$ 284,937	$ 1,181,195

11. PATIENT ACCOUNTS RECEIVABLE

The details of patient accounts receivable are set forth below:

	2022	2021
Gross patient accounts receivable	$ 18,361,707	$ 14,465,604
Less allowance for:		
Uncollectible accounts	(933,828)	(1,496,870)
Contractual adjustments	(9,367,100)	(6,474,711)
Net patient accounts receivable	$ 8,060,779	$ 6,494,023

The Hospital provides services without collateral to patients, most of whom are local residents and are insured under third-party payor agreements. The composition of net receivables from patients and third-party payors was as follows:

	2022		2021	
	Accounts Receivable	Gross Revenue	Accounts Receivable	Gross Revenue
Medicare	44%	52%	38%	50%
Medicaid	15%	23%	16%	23%
Commercial	32%	23%	30%	24%
Self-pay	9%	2%	16%	3%
	100%	100%	100%	100%

12. ESTIMATED AMOUNTS DUE FROM THIRD-PARTY PAYORS

The Hospital has agreements with third-party payors that provide for payment to the Hospital at amounts different from its established rates. The Hospital is designated as a Critical Access Hospital (CAH) under the Medicare and Medicaid programs. CAHs receive payments on a reasonable cost basis, for inpatient and most outpatient services to eligible Medicare patients. Contractual adjustments under third-party reimbursement programs represent the difference between the Hospital's billings at established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with major third-party payors follows:

- Medicare: On October 4, 2006, the Hospital became a Critical Access Hospital. After October 4, 2006, inpatient services and most outpatient services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology. Other outpatient services are reimbursed based on fee schedules.

- The Hospital and the Hospital's swing beds are reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization.

- Medicaid: Inpatient services rendered to Medicaid program beneficiaries are reimbursed based on prospectively determined rates per discharge. Medicaid outpatient services are reimbursed based upon the lesser of the Hospital's charge or predetermined fee schedule amounts. Capital related expenditures are subject to annual cost report settlement.

- Other Payors: The Hospital has entered into agreements with certain commercial carriers. Reimbursement for services under these agreements includes discounts from established charges and other payment methodologies.

In 2022, approximately 52% of the Hospital's total gross patient revenue was derived from Medicare patients while 23% was derived from Medicaid. The remaining revenue was derived primarily from commercial insurance payments.

In 2021, approximately 50% of the Hospital's total gross patient revenue was derived from Medicare patients while 23% was derived from Medicaid. The remaining revenue was derived primarily from commercial insurance payments.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and are adjusted in future periods, as final settlements are determined. Management has determined that there was $115,845 due from third party payors and $249,747 due to third party payors as of December 31, 2022 and 2021, respectively. There is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Differences between the estimated amounts accrued at interim and final settlements are reported in the statement of revenues, expenses, and changes in net position in the year of settlement. The Hospital recorded an unfavorable adjustment of $163,469 and $123,537 in net patient service revenue on the statements of revenue, expenses, and changes in net position in 2022 and 2021, respectively.

13. NET PATIENT SERVICE REVENUES

Net patient service revenue consists of the following:

	2022	2021
Revenue:		
Inpatient	$ 16,260,910	$ 17,395,080
Outpatient	81,982,235	76,919,600
Total patient revenue	98,243,145	94,314,680
Revenue deductions:		
Contractual allowances	(56,711,354)	(52,128,839)
Provision for bad debts	(2,461,522)	(2,843,022)
Charity care	(732,610)	(666,069)
HCAP revenue	1,086,844	1,610,861
Total deductions	(58,818,642)	(54,027,069)
Total net patient service revenue	$ 39,424,503	$ 40,287,611

14. OTHER LIABILITIES

Risk Management

The Hospital is exposed to various risks of loss related to torts; theft or, damage to, and destruction of assets; business interruptions; errors and omissions; injuries to employees; and natural disasters. The Hospital has purchased commercial insurance for malpractice, general liability, and employee medical claims.

Medical Malpractice

For medical malpractice, the Hospital has professional liability insurance with a commercial carrier. Coverage is $1,000,000 per occurrence and $3,000,000 in the annual aggregate. In addition, the Hospital has umbrella coverage of $2,000,000 per occurrence. The policy also requires that certain members of the medical staff carry professional liability coverage of no less than $1,000,000 per occurrence and $3,000,000 in the annual aggregate. The Hospital's coverage is on a claims made basis. Settled claims for medical malpractice have not exceeded insurance coverage in any of the past five years. Losses from asserted and unasserted claims identified under the Hospital's incident reporting systems are accrued based on estimates that incorporate the Hospital's past experience, as well as other considerations including the nature of each claim or incident and relevant trend factors. There is no liability recorded for medical malpractice at December 31, 2022 and 2021.

Employee Health Insurance

The Hospital provides health insurance to participating employees under a plan that is partially self-insured. The plan is covered by a stop-loss policy that covers specific items over $500,000. An estimate of incurred but unpaid claims has been determined as of December 31, 2022 and 2021 based on historical experience. The liability for estimated self-insured employee health claims includes estimates of the ultimate costs for both reported claims and incurred but not reported claims. Activity and balances as of and for the years ended December 31, 2022 and 2021 are as follows:

	Beginning Liability	Claims Incurred	Claims Paid	Ending Liability
2021	$ 403,101	$ 3,089,038	$ 3,151,704	$ 340,435
2022	$ 340,435	$ 3,376,822	$ 3,305,647	$ 411,610

15. BOARD DESIGNATED INVESTMENTS, ENDOWMENTS, AND RESTRICTED NET POSITION

Board Designated Investments

Board designated cash and investments of $290,000 as of December 31, 2022 and 2021 are designated for future capital improvements at the Hospital.

Donor-Restricted – Expendable for Various Purposes

The Foundation has funds, which have been donated for specific purposes. The funds must be used for the donor specified purpose. Donor-restricted assets that are expendable for various purposes were $38,816 as of December 31, 2022 and 2021.

Donor-Restricted – Nonexpendable Endowments

The Foundation maintains several permanent funds with donor-restricted endowments that totaled $179,236 at December 31, 2022 and 2021. It is the Foundation’s policy to transfer from the endowment funds to available funds an amount not to exceed 75% of the total return earned by the endowment. In this way, a portion of the total return will be added back to the principal of the fund to provide growth of the fund. The transfer of available funds shall also be limited in such a manner as to not decrease the designated principal of the fund. Available funds earned that are required to maintain the principal will not be transferred.

16. RETIREMENT PLANS

The Hospital contributed to the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. This trust is also used to fund health care for Member Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 75. Please see the Plan Statement in the OPERS 2021 Annual Comprehensive Financial Report for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees (OPERS Board) in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

<u>Assets, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Retirement Plans</u>

In accordance with GASB Statement No. 68 and 75, employers participating in cost-sharing multiple-employer plans are required to recognize a proportionate share of the collective net pension and OPEB liabilities and assets of the plans. Although changes in the net pension liabilities and assets generally are recognized as expense in the current period, certain items are deferred and recognized as expense in future periods. Deferrals for differences between projected and actual investment returns are amortized to pension expense over five years. Deferrals for employer contributions subsequent to the measurement date are applied against the net pension/OPEB asset/liability in the following year. Other deferrals are amortized over the estimated remaining service lives of both active and inactive employees (amortization periods range from 3 to 10 years).

The collective net pension asset and liability of the retirement systems (GASB 68) and the Hospital's proportionate share of the net pension asset and liability as of December 31 are as follows:

	2022	2021
Net pension liability - all employers	$ 8,700,404,651	$ 14,807,822,857
Proportion of the net pension asset - Hospital	0.093176%	0.089599%
	$ 8,106,689	$ 13,267,661

	2022	2021
Net pension asset - all employers	$ 394,005,071	$ 288,663,526
Proportion of the net pension asset - Hospital	0.045252%	0.043611%
	$ 178,295	$ 125,889

In relation to GASB 68, a gain of $2,813,565 and $1,654,549 is included in employee benefits expense for the years ended December 31, 2022 and 2021, respectively.

The collective net OPEB asset of the retirement systems (GASB 75) and the Hospital's proportionate share of the net OPEB asset as of December 31 are as follows:

	2022	2021
Net OPEB asset - all employers	$ 3,132,153,063	$ 1,781,579,865
Proportion of the net OPEB asset - Hospital	0.089265%	0.085920%
	$ 2,795,917	$ 1,530,733

In relation to GASB 75, a gain of $2,233,925 and $9,365,356 is included in employee benefits expense for the years ended December 31, 2022 and 2021, respectively.

At December 31, 2022, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred outflows of resources:		
Difference between expected and actual experience	$	414,373
Assumption changes		1,022,693
Change in proportionate share		696,330
Difference between Hospital contributions and proportionate share of contributions		1,361
Employer contributions subsequent to the measurement date		2,093,661
Total	$	4,228,418
Deferred inflows of resources:		
Difference between expected and actual experience	$	197,741
Net difference between projected and actual earnings on pension plan		9,680,836
Change in proportionate share		16,633
Difference between Hospital contributions and proportionate share of contributions		3,648
Total	$	9,898,858

At December 31, 2021, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred outflows of resources:		
Assumption changes	$	7,862
Change in proportionate share		679,275
Difference between Hospital contributions and proportionate share of contributions		1,795
Employer contributions subsequent to the measurement date		1,923,473
Total	$	2,612,405
Deferred inflows of resources:		
Difference between expected and actual experience	$	578,747
Net difference between projected and actual earnings on pension plan		5,190,069
Change in proportionate share		110,465
Difference between Hospital contributions and proportionate share of contributions		3,751
Total	$	5,883,032

At December 31, 2022, the Hospital reported deferred outflows of resources and deferred inflows of resources for OPEB from the following sources:

Deferred outflows of resources:		
Change in proportionate share	$	181,004
Employer contributions subsequent to the measurement date		13,424
Total	$	194,428
Deferred inflows of resources:		
Difference between expected and actual experience	$	424,098
Net difference between projected and actual earnings on OPEB plan assets		1,332,896
Assumption changes		1,131,755
Difference between Hospital contributions and proportionate share of contributions		12,515
Total	$	2,901,264

At December 31, 2021, the Hospital reported deferred outflows of resources and deferred inflows of resources for OPEB from the following sources:

Deferred outflows of resources:		
Assumption changes	$	752,526
Change in proportionate share		321,298
Employer contributions subsequent to the measurement date		7,233
Total	$	1,081,057
Deferred inflows of resources:		
Difference between expected and actual experience	$	1,381,478
Net difference between projected and actual earnings on OPEB plan assets		815,290
Assumption changes		2,480,247
Change in proportionate share		67,473
Difference between Hospital contributions and proportionate share of contributions		12,146
Total	$	4,756,634

Net deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense during the years ending December 31 as follows:

2023	$	756,997
2024		3,202,321
2025		2,273,672
2026		1,537,241
2027		(3,150)
Thereafter		(2,980)
Total	$	7,764,101

Net deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense during the years ending December 31 as follows:

2023	$	1,634,242
2024		603,362
2025		291,231
2026		191,425
Total	$	2,720,260

Statutory Authority

Ohio Revised Code (ORC) Chapter 145

Benefit Formula

Pension: Benefits are calculated on the basis of age, final average salary (FAS), and service credit. State and Local members in transition Groups A and B are eligible for retirement benefits at age 60 with 60 months of service credit or at age 55 with 25 or more years of service credit. Group C for State and Local is eligible for retirement at age 57 with 25 years of service or at age 62 with 5 years of service. For Groups A and B, the annual benefit is based on 2.2% of FAS multiplied by the actual years of service for the first 30 years of service credit and 2.5% for years of service in excess of 30 years. For Group C, the annual benefit applies a factor of 2.2% for the first 35 years and a factor of 2.5% for the years of service in excess of 35. FAS represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career. The base amount of a member's pension benefit vests in upon receipt of the initial benefit payment.

OPEB: The ORC permits, but does not require, OPERS to offer post-employment health care coverage. The ORC allows a portion of the employers' contributions to be used to fund health care coverage. The health care portion of the employer contribution rate for the Traditional Pension Plan and Combined Plan is comparable, as the same coverage options are provided to participants in both plans. Beginning January 1, 2015, the service eligibility criteria for health care coverage increased from 10 years to 20 years with a minimum age of 60, or 30 years of qualifying service at any age. Beginning with January 2016 premiums, Medicare-eligible retirees could select supplemental coverage through the connector and may be eligible for monthly allowances deposited to a health reimbursement account to be used for reimbursement of eligible health care expenses. Coverage for non-Medicare retirees includes hospitalization, medical expenses, and prescription drugs. The OPERS determines the amount, if any, of the associated health care costs that will be absorbed by the OPERS and attempts to control costs by using managed care, case management, and other programs. Effective January 1, 2022, eligible non-Medicare retirees are part of a connector program similar to Medicare-enrolled members.

Contribution Rates

The ORC provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS may be set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2022 and 2021, State and Local employers contributed at a rate of 14.0% of earnable salary and Public Safety and Law Enforcement employers contributed at 18.1%. These are the maximum employer contribution rates permitted by the ORC.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to healthcare for members in the Traditional Pension Plan was 0.0% during calendar years 2022 and 2021. For the Combined Plan, the portion of employer contributions allocated to healthcare was 0% from January 1, 2021 to June 30, 2022, and was 2% from July 1, 2022 to December 31, 2022. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited for Member-Directed Plan participants for 2022 and 2021 was 4.0%.

Cost-of-Living Adjustments

Once a benefit recipient retiring under the Traditional Pension Plan has received benefits for 12 months, an annual cost-of-living adjustment is provided on the member's base pension benefit at the date of retirement and is not compounded. For those members retiring under the Combined Plan, they will receive a 3% cost-of-living adjustment for the defined benefit portion of their pension benefit. Current law provides for a 3% cost-of-living adjustment for benefit recipients retiring prior to January 7, 2013. For those benefit recipients retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the cost-of-living adjustment will be based on the average percentage increase in the Consumer Price Index, capped at 3%.

Measurement Date

December 31, 2021 (OPEB is rolled forward from December 31, 2020 actuarial valuation date).

Actuarial Assumptions

Valuation Date: December 31, 2021 for pension and December 31, 2020 for OPEB
Rolled Forward Measurement Date: December 31, 2021 for OPEB
Actuarial Cost Method: Individual entry age
Investment Rate of Return: 6.90% for pension and 6.00% for OPEB
Inflation: 2.75%
Projected Salary Increases: 2.75% to 10.75% for Traditional Plan, 2.75% to 8.25% for Combined Plan
Cost-of-Living Adjustments: 3.00% Simple – for those retiring before January 7, 2013, 3.00% Simple for those retiring after January 7, 2013, through 2022, then 2.05% Simple.
Health Care Cost Trends: 5.5% initial, 3.5% ultimate in 2034

Mortality Rates

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality Tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality Tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For the previously described tables, the base year is 2010 and the mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

Date of Last Experience Study

December 31, 2020

Investment Return Assumptions

The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

The following table displays the Board-approved asset allocation policy for defined benefit pension assets for 2021 and the long-term expected real rates of return:

Asset Class	Target Allocation	Long Term Expected Return *
Fixed income	24%	1.0%
Domestic equity	21%	3.8%
Real estate	11%	3.7%
Private equity	12%	7.4%
International equity	23%	4.9%
Risk parity	5%	2.9%
Other investments	4%	2.9%
Total	100%	

The following table displays the OPERS Board-approved asset allocation policy for health care assets for 2021 and the long-term expected real rates of return:

Asset Class	Target Allocation	Long Term Expected Return *
Fixed income	34%	0.9%
Domestic equity	25%	3.8%
Real estate	7%	3.7%
International equity	25%	4.9%
Risk parity	2%	2.9%
Other investments	7%	1.9%
Total	100%	

Discount Rate

Pension: The discount rate used to measure the total pension asset and liability was 6.9% for the Traditional Pension Plan and the Combined Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension assets and pension liabilities.

OPEB: A discount rate of 6.0% was used to measure the total OPEB asset on the measurement date of December 31, 2021. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contribution for use with the long-term expected rate were not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 1.84%. The projected cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contributions rate. Based on those assumptions, the OPEB plan's fiduciary net position and future contributions were sufficient to finance health care costs through 2121. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2121, the duration of the projection period through which health care payments are fully funded.

Health Care Cost Trend Rate

A health care cost trend rate of 5.5% was used to measure the total OPEB asset on the measurement date of December 31, 2021. Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2022 is 5.5%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that the health care cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project minimum rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.5% in the most recent valuation.

Sensitivity of Net Pension Liability to Changes in Discount Rate

1% Decrease (5.90%)	Current Rate (6.90%)	1% Increase (7.90%)
$ 21,373,643	$ 8,106,689	$ (2,933,180)

Sensitivity of Net Pension Asset to Changes in Discount Rate

1% Decrease (5.90%)	Current Rate (6.90%)	1% Increase (7.90%)
$ 133,041	$ 178,295	$ 213,589

Sensitivity of Net OPEB Asset to Changes in Discount Rate

1% Decrease (5.00%)	Current Rate (6.00%)	1% Increase (7.00%)
$ 1,644,261	$ 2,795,917	$ 3,751,808

Sensitivity of Net OPEB Asset to Changes in Health Care Cost Trend Rate

1% Decrease (7.50%)	Current Rate (8.50%)	1% Increase (9.50%)
$ 2,826,130	$ 2,795,917	$ 2,760,074

The amount of contributions recognized by the Hospital relating to the pensions for the years ending December 31, 2022 and 2021 were approximately $2,094,000 and $1,923,000, respectively.

The amount of contributions recognized by the Hospital relating to the OPEB plan for the years ending December 31, 2022 and 2021 were approximately $13,000 and $7,000, respectively.

17. RELATED PARTIES

Hocking Valley Community Hospital Memorial Fund, Inc.

The Hospital is the primary beneficiary of the Hocking Valley Community Hospital Memorial Fund, Inc. (Foundation). The Foundation is a separate not-for-profit entity organized for the purpose of soliciting funds for the benefit of the Hospital.

The Hospital entered into a 10-year non-cancelable lease with the Foundation for the Medical Arts Building that was set to expire in September 2018. The Foundation Board of Trustees made a resolution in 2016 to forgive rent owed by the Hospital and forego charging rent moving forward.

Hocking Valley Medical Group, Inc. (HVMG)

HVMG is organized as a separate not-for-profit stock professional corporation. The purpose of HVMG is to engage in the practice and to render the professional services of medicine and to further the charitable purposes of the Foundation and the Hospital. The financial activities of HVMG are not consolidated with that of the Foundation because of the absence of the criteria, control and economic interest, that would require consolidation.

During the years ended December 31, 2022 and 2021, the Hospital disbursed funds totaling $2,850,051 and $2,198,669 on behalf of the Foundation to fund operating deficits, respectively. These amounts were paid to the Foundation who, acting as fiscal agent, remitted the funds to HVMG. As of December 31, 2022 and 2021, the Hospital has a receivable from HVMG of $0.

Hocking Valley Health Services

Hocking Valley Health Services (HVHS) is a not-for-profit membership corporation located in Logan, Ohio. The purpose of HVHS is to provide healthcare and physician services and to own, lease, operate and/or provide healthcare facilities for the promotion of health in the area served by the Hospital. Additionally, HVHS is to conduct strategic healthcare planning and otherwise operate exclusively for the benefit and support of the Board of Trustees of the Hospital. The Board of Trustees of HVHS is elected by HVHS' members. The Board of Trustees of the Hospital controls 50% of the voting rights of the HVHS Board. HVHS has not entered into any financial activities as of or for the years ended December 31, 2022 and 2021 and the Hospital's ownership in HVHS is not material to the Hospital's financial statements as a whole. Therefore, the Hospital's financial statements exclude the activities of HVHS.

18. RENTAL AGREEMENTS

In November 2019, the Foundation entered into an agreement with the Hospital to rent property to be used as office space from November 2019 to October 2023 at $5,000 per month. In May 2018, the Foundation entered into an agreement with Dr. Blankenbeckler to rent property to be used as office space from May 2018 to April 2023 at $3,000 per month. The agreement is subject to automatic one year extensions and has been extended through April 2024. During 2022 and 2021, $96,000 was recognized as rental income. A schedule of the remaining minimum rental payments is below:

Year ended December 31,	
2023	$ 96,000
2024	62,000
	$ 158,000

The related cost and accumulated depreciation for the leased asset as of December 31, 2022 and 2021 is as follows:

	2022	2021
Land	$ 858,951	$ 858,951
Building	916,499	916,499
Less: Accumulated Depreciation	(103,108)	(80,212)
	$ 1,672,342	$ 1,695,238

19. SOFTWARE LICENSING AGREEMENT

In December 2016, the Hospital entered into an agreement with OSUWMC to transition from the current Electronic Medical Record System to the Epic platform.

This agreement provided for the use of the system for a period of ten years. The initial implementation costs of $2,959,273, payable to OSUWMC, were to be paid in equal monthly installments over sixty months beginning in June 2017. In March 2018, when the system went live, the remaining balance of $2,130,549 was converted to a note payable due in May 2022. See Note 10 for additional information. The implementation costs are considered an intangible asset and are included in capital assets on the statements of net position. The implementation costs are being amortized on a straight-line basis over three years.

Beginning in March 2018, the Hospital began making monthly maintenance expense payments of $62,138 for a period of ten years. The monthly maintenance expense is subject to adjustment annually based on volumes and other factors. Management does not anticipate substantial adjustments to the maintenance expense over the remaining term of the contract.

20. REFUNDABLE ADVANCES

During 2021 and 2020, the Provider Relief Fund (PRF) and American Rescue Plan (ARP) Rural Distribution grants authorized under the CARES Act were distributed to healthcare providers impacted by the outbreak of the COVID-19 pandemic under Catalog of Federal Domestic Assistance (CFDA) #93.498. Revenues from PRF/ARP grants can be recognized to the extent of expenses incurred in responding to the COVID-19 pandemic. Eligible expenses must not be reimbursed from another source or be obligated to be reimbursed from another source. PRF/ARP grants that are not fully expended on eligible expenses can then be applied to lost patient revenues as defined by the guidance issued by the grantor. Patient revenues lost represent the deficiency in net patient service revenue recognized over respective quarters impacted by the pandemic when compared with respective revenues budgeted by quarter. The Hospital recognized PRF/ARP revenue of $0 and $1,756,034 in the statement of revenues, expenses, and changes in net position as nonoperating revenue in 2022 and 2021, respectively.

The passage of the CARES Act also authorized Center for Medicare and Medicaid Services (CMS) to expand the Medicare Accelerated and Advance Payment Program to a broader group of Medicare Part A providers and Part B suppliers. As an eligible healthcare organization, the Hospital was eligible to request up to 125% of their Medicare payment amounts for a six-month period. These payments were issued in April and June 2020. Recoupment of the advance payment was to begin following a 120-day deferral period. The Continuing Appropriations Act, 2021 and Other Extensions Act, which passed on September 30, 2020, allowed providers to extend repayment for a full year before recoupment begins. In 2022, the Hospital requested and was granted by CMS to enter into an installment plan for the unrecouped portion of its Medicare Accelerated and Advance Payment Program amount. The installment plan requires monthly payments of $189,063 through September 2023, and carries an interest rate of 4.0%. As of December 31, 2022 and 2021, the Hospital has unrecouped Medicare Accelerated and Advanced Payments of $1,673,528 and $3,964,380, respectively, recorded as refundable advances on the statement of net position.

In 2020, the Hospital also received an advance from Medical Mutual that was repayable beginning in 2021. As of December 31, 2022 and 2021, the Hospital has unrecouped Medical Mutual Accelerated and Advanced Payments of $0 and $23,824, respectively, recorded as refundable advances on the statement of net position.

21. CONTINGENCY

Compliance Risks

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations is subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. Government activity continues to increase with respect to investigations and allegations concerning possible violations by healthcare providers of fraud and abuse statutes and significant repayments for patient services previously billed. Management is not aware of any material incidents of noncompliance that have not been provided for in the financial statements; however, the possible future financial effects of this matter on the Hospital, if any, are not presently determinable.

22. RECENT GASB PRONOUNCEMENTS

Management has not currently determined what effects, if any, the implementation of the following recently enacted statement may have on its future financial statements:

GASB Statement No. 96, *Subscription-Based Information Technology Arrangement*, which defines a subscription-based information technology arrangement (SBITA), which establishes that a SBITA results in a right-of-use subscription asset – an intangible asset – and a corresponding subscription liability, provides the capitalization criteria for outlays other than subscription payments, including implementation costs of SBITA, and requires note disclosures regarding a SBITA. GASB Statement No. 96 will be effective for periods beginning after June 15, 2022.

SUPPLEMENTARY INFORMATION

HOCKING VALLEY COMMUNITY HOSPITAL

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2022

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Health and Human Services				
Health Resources and Services Administration:				
COVID-19 - Provider Relief Funding	93.498		$ -	$ 1,756,034
COVID-19 - Rural Healthcare Vaccine Confidence Grant	93.912		-	25,529
U.S. Department of Health and Human Services				
Ohio Department of Health:				
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354		-	13,750
U.S. Federal Communications Commission				
Universal Service Administration Company				
COVID-19 - Telehealth Program	32.006		-	410,647
U.S. Department of Agriculture				
Federal Emergency Management Agency:				
COVID-19 - Public Assistance Grant Program	10.766		-	107,098
			$ -	$ 2,313,058

Note A – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) for the year ended December 31, 2022 includes the federal grant activity that Hocking Valley Community Hospital (the Hospital) received and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with requirements of the Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note B – Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Hospital has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note C – Provider Relief Fund and American Rescue Plan Reporting

Under the terms and conditions of the Provider Relief Fund (PRF) and American Rescue Plan (ARP) Rural Distribution grant under the Coronavirus Aids, Relief, and Economic Security Act, the Hospital was required to report the Coronavirus (COVID-19) related expenses and lost revenues to the U.S. Department of Health and Human Services (HHS)/Health Resources and Services Administration (HRSA). Guidance from HHS has required the reporting of the COVID-19 related expenses and lost revenues in certain reporting periods based on when the funds were received. In 2022, SEFA includes PRF and ARP of approximately $1,756,000, which was received by the Hospital in 2021, the date range designated by HHS for its third and fourth PRF reporting periods. The Hospital recognized $0 and $1,756,034 as revenue in its 2022 and 2021 statements of revenues, expenses, and changes in net position as the terms and conditions of the PRF and ARP grants were satisfied by the Hospital. HHS required $1,756,034 to be reported on the 2022 SEFA.

Note D – Fair Market Value of Donated Personnel Protective Equipment (Unaudited)

During 2022, the Hospital did not receive donated personnel protective equipment from federal sources.

HOCKING VALLEY COMMUNITY HOSPITAL
(A COMPONENT UNIT OF HOCKING COUNTY, STATE OF OHIO)

REQUIRED SUPPLEMENTARY INFORMATION ON GASB 68 PENSION ASSETS, PENSION LIABILITIES, AND PENSION CONTRIBUTIONS (UNAUDITED)
DECEMBER 31, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015, and 2014

Pension Liabilities, and Pension Contributions (rounded to the nearest 1,000)	2022	2021	2020	2019	2018	2017	2016	2015	2014
Hospital proportion of the collective net pension liability	0.09318%	0.08960%	0.08502%	0.08702%	0.09125%	0.09173%	0.09182%	0.09747%	*
Hospital proportionate share of the net pension liability	$ 8,107,000	$ 13,268,000	$ 16,804,000	$ 23,833,000	$ 14,315,000	$ 20,829,000	$ 15,905,000	$ 11,755,000	*
Hospital proportion of the collective net pension asset	0.04525%	0.04361%	0.06450%	0.04918%	0.07782%	0.08822%	0.98890%	0.10021%	*
Hospital proportionate share of the net pension asset	$ 178,000	$ 126,000	$ 134,000	$ 56,000	$ 109,000	$ 49,000	$ 48,000	$ 39,000	*
Hospital covered payroll	$ 13,791,000	$ 12,868,000	$ 12,405,000	$ 12,200,000	$ 12,481,000	$ 12,515,000	$ 11,789,000	$ 12,692,000	*
Hospital proportionate share of the net pension liability as a percentage of its covered payroll	58.8%	103.1%	135.5%	195.4%	114.7%	166.4%	134.9%	92.6%	*
Hospital proportionate share of the net pension asset as a percentage of its covered payroll	1.3%	1.0%	1.1%	0.5%	0.9%	0.4%	0.4%	0.3%	*
Plan fiduciary net position as a percentage of the total pension liability	93.0%	87.2%	82.4%	74.9%	84.9%	77.4%	81.2%	86.5%	*
Schedule of Hospital Contributions (rounded to the nearest 1,000)									
Contractually required contribution	$ 2,094,000	$ 1,923,000	$ 1,795,000	$ 1,730,000	$ 1,708,000	$ 1,623,000	$ 1,502,000	$ 1,415,000	$ 1,523,000
Contributions in relation to the contractually required contribution	$ 2,094,000	$ 1,923,000	$ 1,795,000	$ 1,730,000	$ 1,708,000	$ 1,623,000	$ 1,502,000	$ 1,415,000	$ 1,523,000
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 15,051,000	$ 13,791,000	$ 12,868,000	$ 12,405,000	$ 12,200,000	$ 12,481,000	$ 12,515,000	$ 11,789,000	$ 12,692,000
Contributions as a percentage of covered payroll	13.91%	13.94%	13.95%	13.95%	14.00%	13.00%	12.00%	12.00%	12.00%

Note: This schedule is intended to present ten years of the proportionate share of the net pension liability and contributions. Currently, only those years with information available are presented.

*: This information was not available prior to 2015.

HOCKING VALLEY COMMUNITY HOSPITAL
(A COMPONENT UNIT OF HOCKING COUNTY, STATE OF OHIO)

REQUIRED SUPPLEMENTARY INFORMATION ON GASB 75 OTHER POSTEMPLOYMENT BENEFIT ASSETS AND LIABILITIES (UNAUDITED)
DECEMBER 31, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015, and 2014

Schedule of Proportionate Share of the Net OPEB Asset/Liability (rounded to the nearest 1,000)	2022	2021	2020	2019	2018	2017	2016	2015	2014
Hospital proportion of the collective net OPEB liability	0.00000%	0.00000%	0.08211%	0.08411%	0.08932%	*	*	*	*
Hospital proportionate share of the net OPEB liability	$ -	$ -	$ 11,342,000	$ 10,966,000	$ 9,699,000	*	*	*	*
Hospital proportion of the collective net OPEB asset	0.08927%	0.08592%	0.00000%	0.00000%	0.00000%	*	*	*	*
Hospital proportionate share of the net OPEB asset	$ 2,796,000	$ 1,531,000	$ -	$ -	$ -	*	*	*	*
Hospital covered payroll	$ 13,791,000	$ 12,868,000	$ 12,405,000	$ 12,200,000	$ 12,481,000	$ 12,515,000	$ 11,789,000	$ 12,692,000	*
Hospital proportionate share of the net OPEB liability as a percentage of its covered payroll	0.0%	0.0%	91.4%	89.9%	77.7%	*	*	*	*
Hospital proportionate share of the net OPEB asset as a percentage of its covered payroll	20.3%	11.9%	0.0%	0.0%	0.0%	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability/asset	128.2%	115.6%	47.8%	46.3%	54.1%	*	*	*	*
Schedule of Hospital Contributions									
Contractually required OPEB contribution	$ 13,000	$ 7,000	$ 7,000	$ 6,000	$ -	$ 125,000	$ 250,000	$ 236,000	$ 254,000
Contributions in relation to the contractually required contribution	$ 13,000	$ 7,000	$ 7,000	$ 6,000	$ -	$ 125,000	$ 250,000	$ 236,000	$ 254,000
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 15,051,000	$ 13,791,000	$ 12,868,000	$ 12,405,000	$ 12,200,000	$ 12,481,000	$ 12,515,000	$ 11,789,000	$ 12,692,000
Contributions as a percentage of covered payroll	0.09%	0.06%	0.05%	0.05%	0.00%	1.00%	2.00%	2.00%	2.00%

Note: This schedule is intended to present ten years of the proportionate share of the net OPEB liability and contributions. Currently, only those years with information available are presented.

*: This information was not available prior to 2018.

1. Defined Benefit Pension Plans

Changes of Benefit Terms

Amounts reported in 2015 for the Ohio Public Employees Retirement System (OPERS) reflect the following plan changes:

- The minimum age and number of years of service required to receive an unreduced benefit were each increased by two years for members in the state and local divisions. The minimum retirement age required for law enforcement members did not change, however, the minimum retirement age was increased by two years.
- Final average salary (FAS) increased to the highest five years (up from three years).
- The benefit multiplier used for the first 30 years (2.2% of FAS) was increased to the first 35 years of service.
- Age and service reduction factors changed to represent actuarially determined rates for each year a member retires before attaining full retirement.
- The Cost of Living Adjustment (COLA) was changed for new retirees from a simple 3% applied to the benefit value at date of retirement, to a rate based on the change in the Consumer Price Index, not to exceed 3%.

Changes of Assumptions

In 2021, the OPERS' Board of Trustees' actuarial consultants conducted an experience study for the period 2016 through 2020, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions for the actuarial valuation as December 31, 2020, used for the Hospital's 2021 fiscal year. Amounts reported in the Hospital's 2022 fiscal year for the OPERS plans reflect the following change of assumptions for the amounts reported in the 2020 fiscal year based on the experience study:

- Actuarially assumed expected rate of investment return remained consistent at 6.9%.
- Projected salary increases decreased to 2.75% to 10.75% for the Traditional Pension Plan in 2022 and at 2.75% to 8.25% for the Combined Plan in 2022.

2. Defined Benefit Postemployment Benefits other than Pensions

Changes of Assumptions

Amounts reported in 2022 for OPERS reflect the following changes in assumptions based on an experience study for the five year period ending December 31, 2015:

- Wage inflation assumption decreased from 3.25% to 2.75%.
- Actuarially assumed discount rate increased from 6.0% to 6.9%.
- Health care cost trend rate decreased from 8.5% initial, 3.5% ultimate in 2035 to 5.5% initial, 3.5% ultimate in 2034.

CPAs / ADVISORS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENTAL AUDITING STANDARDS*

Hocking Valley Community Hospital
Hocking County
601 OH-664 N
Logan, Ohio 43138

To the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Hocking Valley Community Hospital (the "Hospital"), as of and for the year ended December 31, 2022, and the related notes to the financial statements, and have issued our report thereon dated May 18, 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 opinions 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 Hospital'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 with those charged with governance.

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

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

Purpose of this Report

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

Blue & Co., LLC

Westerville, Ohio
May 18, 2023

CPAS / ADVISORS

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Hocking Valley Community Hospital
Hocking County
601 OH-664 N
Logan, Ohio 43138

To the Board of Trustees:

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Hocking Valley Community Hospital's (the "Hospital") compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the Hospital's major federal program for the year ended December 31, 2022. The Hospital's major federal program is identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings and questioned costs.

In our opinion, the Hospital complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on the Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

Blue & Co., LLC

Westerville, Ohio
May 18, 2023

Section I – Summary of Auditor's Results

Combined Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	______ yes	__x__ none reported
Significant deficiency(s) identified that are not considered to be material weakness(es)?	______ yes	__x__ none reported
Noncompliance material to financial statements noted?	______ yes	__x__ none reported

Federal Awards

Internal controls over major programs:		
Material weakness(es) identified?	______ yes	__x__ none reported
Significant deficiency(s) identified that are not considered to be material weakness(es)?	______ yes	__x__ none reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be Reported in accordance with section 200.516 Audit findings paragraph (a) of the Uniform Grant Guidance	______ yes	__x__ none reported

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
93.498	Provider Relief Funds

Dollar threshold used to distinguish between type A and B programs:	$750,000	
Auditee qualified as low-risk auditee?	__x__ yes	______ no

Section II - Findings related to combined financial statements reported in accordance with *Government Auditing Standards*:

No matters reported.

Section III - Findings and questioned costs relating to Federal awards:

No matters reported.

Section IV – Summary schedule of prior audit findings:

No matters reported.

OHIO AUDITOR OF STATE
KEITH FABER

HOCKING VALLEY COMMUNITY HOSPITAL

HOCKING COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.

Certified for Release 7/6/2023

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