St. Vincent General Hospital District

d/b/a St. Vincent Health

Financial Statements

Year Ended December 31, 2023 and 2022

WIPFLI

Independent Auditor's Report

Board of Directors
St. Vincent General Hospital District d/b/a St. Vincent Health
Leadville, Colorado

Report on the Audit of the Financial statements

Opinion

We have audited the accompanying financial statements of St. Vincent General Hospital District d/b/a St. Vincent Health (the "Hospital"), which comprise the statement of net position as of December 31, 2023, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital as of December 31, 2023, and the changes in financial position and its cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

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

Substantial Doubt about the Hospital's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Hospital will continue as a going concern. As discussed in Note 10 to the financial statements, the Hospital has a significant loss from operations that raise substantial doubt about its ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding those matters are also described in Note 10. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial statements

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

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

Auditor's Responsibilities for the Audit of the Financial statements

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

In performing an audit in accordance with GAAS and 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

GAAP requires that the management's discussion and analysis (MD&A) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. The Hospital has omitted the MD&A that GAAP requires to be presented to supplement the financial statements. Our opinion on the financial statements is not affected by this missing information.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2024 on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. 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.

Wipfli LLP

Wipfli LLP

Spokane, Washington
July 31, 2024

St. Vincent General Hospital District d/b/a
St. Vincent Health

Statement of Net Position

December 31, 2023

Current assets:		
Cash and cash equivalents	$	589,573
Restricted cash		15,339
Receivables:		
Patient - Net		1,094,582
Estimated third-party payor settlements		801,952
Prepaid expenses		51,356
Inventories		225,469
Total current assets		2,778,271
Capital assets - Net of accumulated depreciation and amortization		26,377,961
TOTAL ASSETS	$	29,156,232

St. Vincent General Hospital District d/b/a
St. Vincent Health

Statement of Net Position (Continued)

December 31, 2023

Current liabilities:		
Accounts payable	$	3,894,604
Accrued compensation expense		803,881
Unearned revenue		315,057
Current portion of long-term liabilities		21,767,527
Total current liabilities		26,781,069
Noncurrent liabilities - Net of current portion		832,023
Total liabilities		27,613,092
Deferred inflows of resources - Gain from sale-leaseback transaction		880,006
Net position:		
Net investment in capital assets		3,778,411
Restricted		15,339
Unrestricted		(3,130,616)
Total net position		663,134
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$	29,156,232

See accompanying notes to financial statements.

St. Vincent General Hospital District d/b/a
St. Vincent Health

Statement of Revenues, Expenses, and Changes in Net Position

Year Ended December 31, 2023

Operating revenue:	
Net patient service revenue	$ 16,414,484
Other revenue	22,256
Total operating revenue	16,436,740
Operating expenses:	
Salaries and wages	7,680,699
Employee benefits	2,612,149
Supplies	1,137,262
Purchased services	7,211,928
Leases and rentals	201,703
Repairs and maintenance	100,029
Utilities	473,646
Insurance	209,319
Depreciation	3,014,625
Other	246,604
Total operating expenses	22,887,964
Operating loss	(6,451,224)
Nonoperating revenue (expense):	
Investment income	361
Interest expense	(600,995)
Tax levy	2,341,974
Grants and contributions	730,497
Other	127,832
Loss on disposal of capital assets	(48,000)
Gain on sale leaseback	586,670
Total nonoperating revenue - Net	3,138,339
Decrease in net position	(3,312,885)
Net position, beginning of year	3,976,019
Net position, end of year	$ 663,134

See accompanying notes to financial statements.

St. Vincent General Hospital District d/b/a
St. Vincent Health

Statement of Cash Flows

Year Ended December 31, 2023

Cash flows from operating activities:	
Receipts from and on behalf of patients	$ 17,081,314
Payments to suppliers and contractors	(8,459,254)
Payments to and on behalf of employees	(10,230,655)
Receipts from other operating revenue	77,489
Net cash used in operating activities	(1,531,106)
Cash flows from noncapital financing activities:	
Receipts of grants and contributions	876,288
Cash received from taxes for operations	2,341,974
Other nonoperating income	127,846
Net cash provided by noncapital financing activities	3,346,108
Cash flows from capital and related financing activities:	
Purchase of capital assets	(149,386)
Received from disposal of capital assets	208,071
Principal payments on leases payable	(614,568)
Principal payments on long-term debt	(423,550)
Interest payments on leases payable	(600,995)
Net cash used in capital and related financing activities	(1,580,428)
Cash flows from investing activities - Interest received	361
Net increase in cash and cash equivalents	234,935
Cash and cash equivalents - Beginning of year	369,977
Cash and cash equivalents - End of year	$ 604,912

St. Vincent General Hospital District d/b/a
St. Vincent Health

Statement of Cash Flows (Continued)

Year Ended December 31, 2023

Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$	(6,451,224)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization		3,014,625
Changes in assets and liabilities:		
Patient receivables - Net		348,773
Other receivables		55,233
Prepaid expenses		33,266
Inventories		246,208
Accounts payable		841,763
Accrued compensation expense		62,193
Estimated third-party payor settlements		462,048
Unearned revenue		(143,991)
Net cash used in operating activities	$	(1,531,106)
Reconciliation of cash and cash equivalents to the statement of net position:		
Cash and cash equivalents in current assets	$	589,573
Restricted cash and cash equivalents in current assets		15,339
Total cash and cash equivalents	$	604,912

See accompanying notes to financial statements.

Note 1: Summary of Significant Accounting Policies

The Entity

St. Vincent General Hospital District d/b/a St. Vincent Health (the "Hospital"), located in Leadville, Colorado, is a political subdivision of the state of Colorado, organized under local healthcare district law. The Hospital operates a community hospital and a primary care clinic.

As organized, the Hospital is exempt from federal income tax.

Financial Statement Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

The Hospital's statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when the liability is incurred, regardless of the timing of the cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met.

Use of Estimates

The preparation of the accompanying financial statements in conformity with GAAP requires management to make certain estimates and assumptions that directly 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 may differ from these estimates.

The Hospital considers significant accounting estimates to be those which require significant judgments and include the valuation of accounts receivable, including contractual allowances, allowance for doubtful accounts, and the estimated third-party payor settlements.

Cash and Cash Equivalents

The Hospital considers all highly liquid debt instruments, including noncurrent cash and cash equivalents, with an original maturity of three months or less to be cash equivalents.

Patient Accounts Receivable and Credit Policy

Patient accounts receivable are uncollateralized patient obligations that are stated at the amount management expects to collect from outstanding balances. These obligations are primarily from local residents, most of whom are insured under third-party payor agreements. The Hospital bills the third-party payors on the patient's behalf, or, if a patient is uninsured, the patient is billed directly.

Note 1: Summary of Significant Accounting Policies (Continued)

Patient Accounts Receivable and Credit Policy (Continued)

Once claims are settled with the primary payor, any secondary payor is billed, and patients are billed for copay and deductible amounts that are the patients' responsibility. Payments on patient accounts receivable are applied to the specific claim identified on the remittance advice or statement. The Hospital does not have a policy to charge interest on past due accounts.

Patient accounts receivable are recorded in the accompanying statement of net position net of contractual adjustments and an allowance for uncollectible accounts, which reflect management's estimate of the amounts that will not be collected. The carrying amounts of patient accounts receivable are reduced by allowances that reflect management’s estimate of the amounts that will not be collected. Management provides for contractual adjustments under terms of third-party reimbursement agreements through a reduction of gross revenue and a credit to patient accounts receivable. In addition, management provides for probable uncollectible amounts, primarily for uninsured patients and amounts patients are personally responsible for, through a reduction of gross revenue and a credit to the allowance for uncollectible accounts.

In evaluating the collectability of patient accounts receivable, the Hospital analyzes past results and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for bad debts. Management regularly reviews data from the major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts and a provision for bad debts for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely.

For receivables associated with self-pay patients (which includes patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Hospital records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or undiscounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Inventories

Inventories consist of medical, surgical, and pharmaceutical supplies and are stated at the lower of cost, determined by the first-in, first-out method, or net realizable value.

Leases

The Hospital is the lessee for noncancellable leases of equipment. The Hospital recognizes an intangible right to use asset (lease asset) and lease liability under these agreements. At the commencement of the lease, the Hospital initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made.

Note 1: Summary of Significant Accounting Policies (Continued)

Leases (Continued)

The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date. The lease asset is amortized on a straight]line basis over its estimated useful life. The Hospital uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Hospital uses its estimated incremental borrowing rate as the discount rate. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability include fixed payments and a purchase option price, if applicable, that the Hospital is reasonably certain to exercise. The Hospital monitors changes in circumstances that would require a remeasurement of its leases and will remeasure a lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Ad Valorem Taxes

Tax revenue is recognized in the period levied each year. The ad valorem tax levy is recorded as revenue by the Hospital in accordance with the applicable measurement focus and basis of accounting for fiscal year 2023. Lien dates, levy dates, and due dates are described below:

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

Capital Assets

Capital assets are stated at historical cost. Maintenance, repairs, and minor replacements are charged to expense as incurred. Intangible right-to-use lease assets are stated at the present value of minimum lease payments. The Hospital's policy is to capitalize all capital asset expenditures exceeding $5,000. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. Intangible right-to-use lease assets are amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the intangible right-to-use lease asset. Such amortization is included in depreciation and amortization expense in the accompanying financial statements.

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

The Hospital estimates the useful lives of assets to be as follows:

Land improvements	7 to 20 years
Buildings and improvements	5 to 40 years
Equipment	3 to 26 years
Lease right of use assets	3 years

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

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

Deferred Inflows of Resources

In addition to liabilities, the statements of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents the acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Hospital reports deferred inflows of resources related to its leases.

Lease-related amounts are recognized at the execution of a sale-leaseback transaction and represent the difference between the carrying amount of the asset sold and the amount of consideration received in the transaction. Deferred inflows of resources are amortized over the term of the related lease agreement.

Compensated Absences

The Hospital's employees earn paid time-off for vacation, holidays, and short-term illnesses at varying rates, depending on years of service. The related liability is accrued during the period in which it is earned.

Net Position

Net position of the Hospital is classified into three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding

Note 1: Summary of Significant Accounting Policies (Continued)

Net Position (Continued)

borrowings used to finance the purchase or construction of those assets. Restricted net position is noncapital net position that must be used for a particular purpose as specified by creditors, grantors, contributors external to the Hospital, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation and includes amounts deposited with trustees as required by revenue bond indenture and note payable escrow agreements. Unrestricted net position is remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

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

Operating Revenue and Expenses

The Hospital's statements of revenue, expenses, and changes in net position distinguish between operating and nonoperating revenue and expenses. Operating revenue results from exchange transactions associated with providing health care services, the Hospital's principal activity. Operating expenses are all expenses incurred to provide health care services, other than financing costs. All other revenue and expenses not meeting these definitions, including property tax revenue, investment income, interest income, and interest expense, are reported as nonoperating revenue and expenses.

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Estimated uncollectible revenue is reported as provision for bad debts in the financial statements. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Some health care is provided with the knowledge that it will not be reimbursed. This is reported under charity care/financial assistance.

For uninsured patients who do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Hospital's uninsured patients will be unable or unwilling to pay for services provided. Thus, the Hospital records a provision for bad debts related to uninsured patients in the period the services are provided.

Note 1: Summary of Significant Accounting Policies (Continued)

Net Patient Service Revenue (Continued)

The Hospital participates in the State of Colorado CHASE program, approved by the Centers for Medicare and Medicaid Services (CMS), under which all hospitals in the state were assessed a fee based on bed size and payor mix. The State of Colorado uses the fees to supplement state budget funds for the Medicaid program, which brings matching federal monies into the program, enabling the State of Colorado to fund Medicaid payments to hospitals at a higher rate than would otherwise be possible. The Hospital's expense was approximately $225,000 in provider fees for the year ended December 31, 2023. The Hospital's revenue was approximately $2,801,000 of supplemental payments for the year ended December 31, 2023, which is recorded as part of net patient service revenue.

Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care/financial assistance policy without charge or at amounts less than established rates. The Hospital maintains records to identify the amount of charges foregone for services and supplies furnished under its charity care/financial assistance policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care/financial assistance, they are not reported as net patient service revenue in the accompanying statements of revenue, expenses, and changes in net position.

Grants and Contributions

From time to time, the Hospital receives grants from the state of Colorado, as well as contributions from individuals and private organizations. Revenue from grants and contributions may be restricted for either specific operating purposes or capital purposes. Amounts that are unrestricted or that are restricted for a specific operating purpose are reported as nonoperating revenue. Amounts restricted for capital acquisitions are reported after nonoperating revenue and expenses.

New Accounting Pronouncement

In May 2020, the GASB issued GASB Statement number 96 - *Subscription-Based Information Technology Arrangements* (SBITA). This statement improves financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and reporting for SBITA transactions. The statement enhances the relevance and reliability of the Hospital's financial statements by requiring the Hospital to report a subscription asset and subscription liability for SBITAs and disclose essential information about the arrangements. The requirements of this statement are effective for the Hospital's fiscal year ended December 31, 2023, and were applied retroactively. Adoption of this accounting standard did not have a significant impact on the Hospital's financial statements.

Note 2: Cash and Cash Equivalents

Custodial credit risk: State law requires collateralization of all deposits with federal depository insurance or other acceptable collateral. The Hospital's cash on deposit with banks is insured through the Federal Deposit Insurance Corporation up to $250,000 per financial institution. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The Hospital's investment policy does not address custodial credit risk. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At December 31, 2023, the Hospital's deposits were in banks covered under PDPA, properly collateralized, or were in banks with balances under FDIC limits.

Interest rate risk: The Hospital does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Note 3: Concentration of Credit Risk

The Hospital has a concentration of credit risk with respect to unsecured patient accounts receivable. The majority of the Hospital's patients are local residents and are insured under third-party payor agreements.

The mix of patient accounts receivable consisted of the following at December 31:

	2023
Commercial insurance and other third-party payors	44 %
Medicare	11 %
Medicaid	8 %
Patients	37 %
Total	100 %

Note 4: Reimbursement Arrangements With Third-Party Payors

The Hospital has agreements with third-party payors that provide for reimbursement at amounts that vary from the Hospital's established rates. A summary of the basis of reimbursement with major third-party payors follows:

Medicare

The Hospital is licensed as a critical access hospital (CAH). The Hospital is reimbursed for most acute care services under cost reimbursement methodology, with final settlement determined after submission of annual cost reports, which are subject to audits thereof by the Medicare Administrative Contractor (MAC). The Hospital's Medicare cost reports have been final settled by the MAC through the year ended December 31, 2021. Certain services are paid on a fixed fee schedule.

Medicaid

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

Other

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

Physician and Professional Services in Rural Health Clinics

Certain physician and professional services rendered to Medicare and Medicaid beneficiaries qualify for reimbursement as Medicare-approved rural health clinic services. Effective April 1, 2021, Medicare reimbursement for existing provider-based rural health clinics affiliated with hospitals with less than 50 available beds is limited to a per-visit base rate inflated annually by the Medicare Economic Index. All other physician and professional services rendered to Medicare and Medicaid beneficiaries are paid based on prospectively determined fee schedules.

Accounting for Contractual Arrangements

The Hospital is reimbursed for certain cost-reimbursable items at an interim rate, and final settlements are determined after an audit of the Hospital's related annual cost reports by the respective Medicare and Medicaid fiscal intermediaries. Estimated provisions to approximate the final expected settlements after review by the intermediaries are included in the accompanying financial statements. Differences between the Hospital's estimates and subsequent final settlements by the Medicare and Medicaid fiscal intermediary will be included in future statements of revenue, expenses, and changes in net position. The cost reports for the Hospital have been final settled by Medicare intermediaries through December 31, 2021.

Note 4: Reimbursement Arrangements With Third-Party Payors (Continued)

Compliance

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and billing regulations. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of fines and penalties, as well as repayments for patient services previously billed. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

CMS uses recovery audit contractors (RACs) as part of its efforts to ensure accurate payments. RACs search for potentially inaccurate Medicare payments that might have been made to health care providers and that were not detected through existing CMS program integrity efforts. Once the RAC identifies a claim it believes is inaccurate, it makes a deduction from or addition to the provider's Medicare reimbursement in an amount estimated to equal the overpayment or underpayment. Certain states also have hired Medicaid Integrity Contractors (MIC) to perform audits similar to RACs. The Hospital will have the ability to appeal adjustments before final settlement of the claim is made. As of December 31, 2023, the Hospital has not been notified by any RAC or MIC of any potential significant reimbursement adjustments.

Note 5: Capital Assets

Capital assets activity for the year ended December 31, 2023, was as follows:

	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Nondepreciable capital assets:					
Land	$ 48,000	$ -	$ -	$ (48,000)	$ -
Depreciable capital assets:					
Land improvements and building	29,629,653	-	-	-	29,629,653
Equipment	11,382,995	149,372	-	(208,071)	11,324,296
Right-to-use assets	3,001,407	-	-	-	3,001,407
Total depreciable capital assets	44,014,055	149,372	-	(208,071)	43,955,356
Less accumulated depreciation/amortization for:					
Land improvements and building	5,950,850	1,282,925	-	-	7,233,775
Equipment	7,960,634	926,464	-	-	8,887,098
Right-to-use assets	651,286	805,236	-	-	1,456,522
Total accumulated depreciation/amortization	14,562,770	3,014,625	-	-	17,577,395
Capital assets - Net	$ 29,499,285	$ (2,865,253)	$ -	$ (256,071)	$ 26,377,961

Note 6: Long-Term Liabilities

Long-term liabilities activity for the year ended December 31, 2023, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Long-term debt:					
Direct borrowings -					
USDA 2021A-1 bonds payable	$ 8,824,503	$ -	$ (178,940)	$ 8,645,563	$ 182,779
USDA 2021A-2 bonds payable	8,128,338	-	(164,823)	7,963,515	168,360
Note payable	4,430,697	-	(79,787)	4,350,910	83,216
Total long-term debt	$ 21,383,538	$ -	$ (423,550)	$ 20,959,988	$ 434,355
Leases payable	$ 2,254,130	$ -	$ (614,568)	$ 1,639,562	$ 807,539

The terms and due dates of the Hospital's long-term debt and leases payable are as follows:

USDA 2021A-1 and 2021A-2 bonds payable

Hospital revenue bonds payable to the U.S. Department of Agriculture (USDA), due in monthly installments of $28,021 and $30,420, including interest, through December 2056. Collateralized by security agreement.

Notes payable

Mortgage note payable, due in monthly installments of $22,094, including interest, to December 2051, guaranteed 90% by the USDA. Collateralized by security agreement and real property.

The Hospital was not in compliance with all debt covenants at December 31, 2023. As such, all related debt is presented on the statement of net position as a current liability because the lender maintains the right to call the outstanding balance, according to the loan agreement.

Leases payable

The Hospital is a party to lease agreements for buildings and equipment, terms range from 36 to 60 months maturing 2025 through 2027. Discount rates used to calculate the present value of the future lease payments range from 2.50-2.569% and are based on either the discount rate implicit in the lease agreement or the Hospital's estimated incremental borrowing rate at the time of the lease inception.

Sale-leaseback - In 2022 the Hospital entered into a sale-leaseback transaction resulting in a deferred inflow of resources in the amount of $1,760,011. The deferred inflow of resources will be amortized over the life of the lease through July 2025.

Note 6: Long-Term Liabilities (Continued)

Aggregate future annual principal and interest payments related to long-term debt and leases payable are as follows:

	Direct borrowings		Leases payable	
Years Ending December 31,	Principal	Interest	Principal	Interest
2024	$ 434,355	$ 531,463	$ 807,539	$ 32,269
2025	445,467	520,352	572,492	12,464
2026	456,893	508,925	221,832	3,969
2027	468,645	497,174	37,699	119
2028	480,733	485,086	-	-
2029-2033	2,597,512	2,231,582	-	-
2034-2038	2,956,775	1,872,319	-	-
2039-2043	3,372,280	1,456,813	-	-
2044-2048	3,854,071	975,023	-	-
2049-2053	3,212,011	386,134	-	-
2054-2058	2,681,246	118,089	-	-
Total long-term debt and leases payable	$ 20,959,988	$ 9,582,960	$ 1,639,562	$ 48,821

Note 7: Charity Care

The Hospital provides health care services and other financial support through various programs that are designed, among other matters, to enhance the health of the community, including the health of low-income patients. Consistent with the mission of the Hospital, health care is provided to patients regardless of their ability to pay, including providing services to those persons who cannot afford health insurance because of inadequate resources.

Patients who meet certain criteria for charity care/financial assistance, generally based on federal poverty guidelines, are provided care based on criteria defined in the Hospital's charity care policy. The Hospital maintains records to identify and monitor the level of charity care/financial assistance it provides. The amount of charges foregone for services and supplies furnished under the Hospital's charity care policy aggregated $27,159 for the year ended December 31, 2023 .

Note 8: Deferred Compensation

The Hospital sponsors a 403(b) deferred compensation plan. The plan is available to eligible Hospital employees and permits them to defer a portion of their compensation for retirement purposes. Employer contributions are at the discretion of the Hospital's board of directors. Employees automatically become eligible to contribute at the beginning of employment. The deferred compensation is invested for the participants by the Hospital under the plan agreements.

Note 8: Deferred Compensation (Continued)

The Hospital also administers a 401(a) plan, under which all employees over the age of 21 who have completed one year of service are eligible to participate. Participants may defer a portion of their compensation up to specified limits according to the IRC. The Hospital discontinued contributions to the 401(a) plan in 2015 and currently allows for employee contributions only.

Note 9: Contingencies

Risk Management

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

Malpractice

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

Litigation, Claims, and Disputes

The Hospital is subject to the usual contingencies in the normal course of operations relating to the performance of its tasks under its various programs. In the opinion of management, the ultimate settlement of any litigation, claims, and disputes in process will not be material to the financial position, operations, or cash flows of the Hospital. The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Federal government activity with respect to investigations and allegations concerning possible violations by health care providers of regulations could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from patient services.

<u>Legal Matter</u>

The Hospital is a party to a legal matter still in preliminary stages with potential uninsured risk exposure of approximately $480,000. Due to the uncertain outcome of the legal matter, no accrual of the potential liability has been made in the statement of net position.

Note 10: Going Concern

The Hospital incurred a operating loss of $6,451,224 for the year ended December 31, 2023. At December 31, 2023, the Hospital's current liabilities exceeded its current assets by $24,002,798.

Management is working to decrease operating costs of the Hospital as well as improve revenue. Cost cutting measures implemented include reducing the workforce by approximately 27% as well as relocating clinic operations to Hospital-owned property. The Hospital has also brought in a new administrative team, engaged consultants to improve revenue cycle results and reimbursement rates, and added physicians to expand services.

The ability of the Hospital to continue as a going concern is dependent upon the success of the above actions in generating cash flows from its operations.

The financial statements do not include any adjustments relating to the recoverability of recorded asset or liability amounts that might be necessary should the Hospital be unable to continue as a going concern.

Supplementary Information

St. Vincent General Hospital District d/b/a
St. Vincent Health

Schedule of Revenues and Expenses - Budget and Actual

Year Ended December 31, 2023	Budget	Actual	Variance Favorable/ (Unfavorable)
Operating revenue:			
Net patient service revenue	$ 16,983,659	$ 16,414,484	$ (569,175)
Other revenue	424,636	22,256	(402,380)
Total operating revenue	17,408,295	16,436,740	(971,555)
Nonoperating revenue (expense):			
Investment income	-	361	361
Interest expense	(770,983)	(600,995)	169,988
Tax levy	3,001,162	2,341,974	(659,188)
Grants and contributions	850,000	730,497	(119,503)
Other	640,692	127,832	(512,860)
Loss on disposal of capital assets	-	(48,000)	(48,000)
Gain on sale-leaseback	-	586,670	586,670
Total nonoperating revenue (expense)	3,720,871	3,138,339	(582,532)
Total revenues	$ 21,129,166	$ 19,575,079	$ (1,554,087)
Operating expenses:			
Salaries and wages	$ 7,790,344	$ 7,680,699	$ (109,645)
Benefits	2,032,095	2,612,149	580,054
Depreciation	3,031,513	3,014,625	(16,888)
Supplies	864,195	1,137,262	273,067
Purchased services	5,420,415	7,211,928	1,791,513
Other	1,892,221	1,231,301	(660,920)
Total expenses	21,030,783	22,887,964	1,857,181
Capital budget	-	149,386	149,386
Debt retirement - Principal paid	409,464	423,550	14,086
Total expenditures	$ 21,440,247	$ 23,460,900	$ 2,020,653

Notes to Schedule:
- Annual budgets are adopted as required by Colorado Statutes. Formal budgetary integration is employed as a management control device during the year. Budgets are adopted on a basis that is consistent with accounting principals generally accepted in the United States of America.

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

See Independent Auditor's Report

WIPFLI

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

Board of Directors
St. Vincent General Hospital District d/b/a St. Vincent Health
Leadville, Colorado

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the statement of net position, revenues, expenses, and changes in net position, and cash flows of St. Vincent General Hospital District d/b/a St. Vincent Health (the "Hospital"), as of and for the year ended December 31, 2023 and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated July 31, 2024.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies in internal control, such that there is reasonable possibility that a material misstatement of the Hospital's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as as item 2023-002 to be a material weakness.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2023-001, 2023-003, and 2023-004 to be significant deficiencies.

WIPFLI

Report on Compliance and Other Matters

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

The Hospital's Response to Findings

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

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.

Wipfli LLP

Wipfli LLP

Spokane, Washington
July 31, 2024

St. Vincent General Hospital District d/b/a St. Vincent Health

Schedule of Findings and Responses

Year ended December 31, 2023

Finding Number: 2023-001
Type of Finding: Significant deficiency
Description: Financial statement preparation and accompanying note disclosures

Condition: The Hospital relies upon the auditor to compile the financial statements and notes. As part of our professional services for the year ended December 31, 2023, we assisted in drafting the basic financial statements and related notes. The Hospital does not have sufficient expertise to prepare its own financial statements and disclosures. This circumstance is not unusual in an organization of its size.

Cause: The Hospital only prepares a set of full disclosure financial statements on an annual basis and does not maintain the expertise to prepare full disclosure financial statements due to cost and other considerations.

Criteria: *Government Auditing Standards* considers the inability to report the financial data reliably in accordance with GAAP to be an internal control deficiency.

Effect: The completeness of the financial statement disclosures and the accuracy of the overall financial presentation may be negatively impacted, since outside auditors do not have the same comprehensive understanding as internal finance staff.

Management Response: Management agrees with the assessment and has committed to evaluating the costs and benefits associated with preparing the annual financial statements.

Finding Number: 2023-002
Type of Finding: Material weakness
Description: General ledger maintenance

Condition: Material adjusting journal entries to the general ledger were necessary in order for the Hospital's financial statements to conform to GAAP.

Cause: The Hospital did not always perform adequate general ledger maintenance necessary to prepare complete and accurate financial statements.

Criteria: *Government Auditing Standards* considers the inability to report the financial data reliably in accordance with GAAP to be an internal control deficiency.

Effect: Material misstatements could go undetected in the financial statements and management's decision making could be negatively impacted.

Management Response: Management agrees with the assessment and has committed resources to the financial accounting and reporting process.

St. Vincent General Hospital District d/b/a
St. Vincent Health

Schedule of Findings and Responses

Year ended December 31, 2023

Finding Number: 2023-003
Type of Finding: Significant deficiency
Description: Inventory reconciliations

Condition: An adjustment in the amount of $246,208 was recorded after year-end to reduce reported inventory balances to reconcile to the Hospital's inventory counts.

Cause: Reported inventory balances were not adjusted timely during the year.

Criteria: Balance sheet accounts should be reconciled timely, including inventory balances.

Effect: Inventory and supply expense balances could be significantly misstated during the year. In addition, timely inventory counts and inventory account reconciliation is a basic component of internal control in reducing the risk of misappropriation of assets.

Management Response: Management agrees with the assessment and has committed to evaluating current inventory count and reporting processes.

Finding Number: 2023-004
Type of Finding: Significant deficiency
Description: Manual Journal Entries

Condition: During the audit it was observed that there is no routine documentation of review and approval of manual journal entries during the year.

Cause: Routine documentation of review and approval of manual journal entries was not consistently maintained.

Criteria: Documentation of review and approval of manual journal entries should be consistently maintained. Segregation of duties between those prepare entries, those who review/approve entries, and those who post entries should be documented.

Effect: The likelihood that inaccurate or unauthorized transactions or journal entries will be prevented or detected on a timely basis is diminished.

Management Response: Management agrees with the assessment and has committed to evaluating current manual journal entry processes.