Financial Statements
September 30, 2020 and 2019

Steele Memorial Medical Center

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CPAs & BUSINESS ADVISORS

Independent Auditor's Report

The Board of Directors
Steele Memorial Medical Center
Salmon, Idaho

Report on the Financial Statements
We have audited the accompanying financial statements of Steele Memorial Medical Center, a component unit of Lemhi County, Idaho (the Hospital) and its discretely presented component unit, the Steele Memorial Foundation, as of and for the years ended September 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Steele Memorial Medical Center and of its discretely presented component unit as of September 30, 2020 and 2019, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated March 5, 2021 on our consideration of Steele Memorial Medical Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Boise, Idaho
March 5, 2021

Steele Memorial Medical Center
Statements of Net Position
September 30, 2020 and 2019

	2020	2019
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents	$ 3,327,880	$ 4,957,220
Cash and cash equivalents restricted for debt reserve	555,000	535,000
Cash restricted for provider relief funds	6,710,177	-
Receivables		
Patient, net of estimated uncollectibles of $997,000 in 2020 and $1,092,000 in 2019	4,740,549	4,676,239
Estimated third-party payor settlements	582,537	380,210
Other	234,679	151,434
Supplies	1,035,929	1,022,176
Prepaid expenses and deposits	243,059	134,569
Total current assets	17,429,810	11,856,848
Noncurrent Cash and Cash Equivalents, and Investments		
Board designated reserves for specific operating purposes and capital improvements	1,587,215	-
Investments in certificates of deposit	1,171,648	958,759
Restricted by trustee for debt reserve	159,872	225,035
Investment in Yellowstone Insurance Exchange	312,506	337,756
Total noncurrent cash and cash equivalents, and investments	3,231,241	1,521,550
Capital Assets		
Capital assets not being depreciated	1,068,654	1,076,119
Capital assets being depreciated, net	13,275,692	13,703,015
Total capital assets	14,344,346	14,779,134
Total assets	35,005,397	28,157,532
Deferred Outflows of Resources		
Refunding costs	309,435	354,173
Total assets and deferred outflows of resources	$ 35,314,832	$ 28,511,705

	2020	2019
Liabilities and Net Position		
Current Liabilities		
Current maturities of long-term debt	$ 791,961	$ 765,213
Paycheck protection program loan , current portion	1,120,645	-
Accounts payable		
Trade	909,460	957,583
Estimated third-party payor settlements	382,536	82,172
Accrued expenses		
Salaries and wages	1,868,224	1,353,315
Interest	18,194	20,949
Refundable advance provider relief funds	4,231,958	-
Total current liabilities	9,322,978	3,179,232
Long-term debt, less current maturities	9,476,848	10,321,765
Paycheck protection program loan, long-term portion	1,357,574	-
Total liabilities	20,157,400	13,500,997
Net Position		
Net investment in capital assets	4,384,972	4,046,329
Restricted		
Expendable for debt service	714,872	760,035
Unrestricted	10,057,588	10,204,344
Total net position	15,157,432	15,010,708
Total liabilities and net position	$ 35,314,832	$ 28,511,705

Steele Memorial Medical Center

Statements of Financial Position – Discretely Presented Component Unit
Steele Memorial Foundation
September 30, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	$ 177,047	$ 70,838
Contributions receivable	219,147	297,870
Long-term investments	55,696	48,425
Total assets	$ 451,890	$ 417,133
Net Assets		
Without donor restrictions	$ 232,743	$ 119,263
With donor restrictions	219,147	297,870
Total net assets	$ 451,890	$ 417,133

Steele Memorial Medical Center

Statements of Revenues, Expenses and Changes in Net Position

Years Ended September 30, 2020 and 2019

	2020	2019
Operating Revenues		
Net patient service revenue, net of provision for bad debts of $1,159,411 in 2020 and $1,098,765 in 2019	$ 29,014,815	$ 25,823,028
Other revenue	424,887	304,571
Total operating revenues	29,439,702	26,127,599
Operating Expenses		
Salaries and wages	12,591,913	11,513,336
Employee benefits	3,145,692	2,956,902
Professional fees and purchased services	4,081,090	4,581,915
Supplies	5,082,330	4,125,637
Insurance	293,125	272,297
Depreciation	1,200,415	1,452,431
Other	3,446,433	2,504,462
Total operating expenses	29,840,998	27,406,980
Operating Loss	(401,296)	(1,279,381)
Nonoperating Revenues (Expenses)		
CARES Act financial assistance	128,336	-
Property tax income	407,281	402,681
Investment income	-	33,824
Interest income	47,062	84,609
Interest expense	(368,471)	(400,824)
Net nonoperating revenues	214,208	120,290
Revenues Less Than Expenses Before Capital Contributions and Grants	(187,088)	(1,159,091)
Capital Contributions and Grants	333,812	199,830
Change in Net Position	146,724	(959,261)
Net Position, Beginning of Year	15,010,708	15,969,969
Net Position, End of Year	$ 15,157,432	$ 15,010,708

Steele Memorial Medical Center

Statements of Activities – Discretely Presented Component Unit
Steele Memorial Foundation
Years Ended September 30, 2020 and 2019

	2020	2019
Net Assets Without Donor Restrictions		
Support and Revenue		
Contributions	$ 189,137	$ 108,437
Net assets released from restrictions	92,500	125,000
Investment income	7,564	(6,722)
Total support and revenue	289,201	226,715
Expenses		
Contributions	147,982	186,500
Program and fundraising	6,915	5,082
General services and administrative	7,047	6,664
Total expenses	161,944	198,246
Increase in Net Assets Without Donor Restrictions	127,257	28,469
Changes in Net Assets With Donor Restrictions		
Investment income	-	6,866
Net Assets released from restrictions	(92,500)	(125,000)
Decrease in Net Assets With Donor Restrictions	(92,500)	(118,134)
Change in Net Assets	34,757	(89,665)
Net Assets, Beginning of Year	417,133	506,798
Net Assets, End of Year	$ 451,890	$ 417,133

	2020	2019
Operating Activities		
Receipts from and on behalf of patients	$ 29,048,542	$ 23,933,352
Payments to suppliers and contractors	(13,156,589)	(11,414,204)
Payments to and on behalf of employees	(15,222,696)	(14,266,573)
Other receipts and payments, net	424,887	304,571
Net Cash from (used for) Operating Activities	1,094,144	(1,442,854)
Noncapital Financing Activities		
Paycheck protection program loan	2,478,219	-
CARES Act financial assistance received	128,336	-
Refundable advance provider relief funds	4,231,958	-
Property tax income received	407,281	402,681
Net Cash from Noncapital Financing Activities	7,245,794	402,681
Capital and Capital Related Financing Activities		
Principal payments on long-term debt	(765,213)	(733,434)
Interest paid	(379,444)	(407,327)
Purchase and construction of capital assets	(765,627)	(545,035)
Capital contributions and grants	333,812	199,830
Net Cash used for Capital and Capital Related Financing Activities	(1,576,472)	(1,485,966)
Investing Activities		
Investment income	47,062	84,609
Purchases of noncurrent investments	(212,889)	-
Sales and maturities of noncurrent investments	25,250	6,264
Net Cash from (used for) Investing Activities	(140,577)	90,873
Net Change in Cash and Cash Equivalents	6,622,889	(2,435,266)
Cash and Cash Equivalents, Beginning of Year	5,717,255	8,152,521
Cash and Cash Equivalents, End of Year	$ 12,340,144	$ 5,717,255

	2020	2019
Reconciliation of Cash and Cash Equivalents to the Statements Net Position		
Cash and cash equivalents in current assets	$ 10,593,057	$ 5,492,220
Cash and cash equivalents in noncurrent cash and investments	1,747,087	225,035
Total cash and cash equivalents	$ 12,340,144	$ 5,717,255
Reconciliation of Operating Loss to Net Cash from (used for) Operating Activities		
Operating loss	$ (401,296)	$ (1,279,381)
Adjustments to reconcile operating loss to net cash from (used for) operating activities		
Depreciation	1,200,415	1,452,431
Provision for bad debts	1,159,411	1,098,765
Changes in assets and liabilities		
Patient receivables	(1,223,721)	(2,391,283)
Other receivables	(83,245)	(80,089)
Estimated third-party payor settlements	98,037	(597,158)
Supplies	(13,753)	(38,494)
Prepaid expenses	(108,490)	198,112
Accounts payable	(48,123)	(9,422)
Accrued expenses	514,909	203,665
Net Cash from (used for) Operating Activities	$ 1,094,144	$ (1,442,854)

Note 1 - Reporting Entity and Summary of Significant Accounting Policies

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

Reporting Entity

The Hospital is an 18-bed critical access hospital and rural health clinic located in Salmon, Idaho. Steele Memorial Medical Center is a component unit of Lemhi County and has been recognized by the Internal Revenue Service as exempt from federal income taxes under Internal Revenue Code Section 501(a). The Hospital is governed by the Board of Directors, which are appointed by the Board of County Commissioners of Lemhi County. As organized, the Hospital is exempt from payment of federal and state income taxes.

For financial reporting purposes, the Hospital has included all funds, organizations, agencies, boards, commissions, and authorities. The Hospital has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Hospital are such that the exclusion would cause the Hospital's financial situation to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Hospital to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Hospital.

Discretely Presented Component Unit

Steele Memorial Foundation (the Foundation) was established for healthcare purposes and to advance and assist in the development, growth, and operation of the Hospital. Funds raised are distributed to the Lemhi County community primarily through the purchases of property and equipment and patient assistance. The Foundation has been determined to be a component unit and is presented as a discretely presented component unit in the Hospital's financial statements. Financial statements of the Foundation are prepared under a separate cover and can be obtained by contacting the Foundation's Director.

Measurement Focus and Basis of Accounting

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

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

Basis of Presentation

The statements of net position display the Hospital's assets, deferred outflows and liabilities with the difference reported as net position. Net position is reported in the following categories/components:

> *Net investment in capital assets* consists of net capital assets reduced by the outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or the related debt obligations and increased by balances of deferred outflows of resources related to those assets or debt obligations.

Restricted net position:

Expendable - Expendable net position results when constraints placed on net position use are either externally imposed or imposed through enabling legislation.

Nonexpendable – Nonexpendable net position is subject to externally imposed stipulations which require them to be maintained permanently by the Hospital. There were no nonexpendable net position amounts as of September 30, 2020 and 2019, respectively.

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

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

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding internally designated or restricted cash and investments. For purposes of the statements of cash flows, the Hospital considers all cash and investments with an original maturity of three months or less as cash and cash equivalents.

Restricted Cash

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

Patient Receivables

Patient receivables are uncollateralized patient and third-party payor obligations. Payments of patient receivables are allocated to specific claims identified on the remittance advice, or if unspecified, applied to the earliest unpaid claim. Account balances with invoices dated over 90 days old and account balances with no payment for 90 days are considered delinquent. No interest is charged on overdue accounts.

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

Contributions Receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received, and all eligibility requirements have been met. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at the discounted present value of expected future payments at the date of promise. Amortization of the resulting discount is recognized as additional contribution revenue. As of September 30, 2020 and 2019, no allowance for uncollectible contributions receivable was deemed necessary.

Supplies

Supplies are stated at the lower of cost (first-in, first-out) or net realizable value. Supplies consist of pharmaceutical, medical-surgical, and other supplies used in the Hospital's operation.

Noncurrent Cash and Cash Equivalents, and Investments

Noncurrent cash and cash equivalents, and investments are set aside by the Board of Directors for specific operating purposes, future debt payments or capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes, restricted by trustee for debt reserve and capital asset replacement, and restricted by donors. Non-brokered certificates of deposit and other deposits are recorded at historical cost. Brokered certificates of deposit are measured at fair value.

Investment Income

Interest, dividends, gains and losses, both realized and unrealized, on investments and deposits are included in nonoperating revenues when earned.

Capital Assets

Property and equipment acquisitions in excess of $5,000 are capitalized and recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. Equipment under capital leases is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Amortization is included in depreciation and amortization in the financial statements. The estimated useful lives of capital assets are as follows:

Land improvements	8-12 years
Buildings and improvements	5-40 years
Equipment	3-20 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to unrestricted net position, and are excluded from revenues less than expenses. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted net position.

Impairment of Long-Lived Assets

The Hospital considers whether indicators of impairment are present and performs the necessary analysis to determine if the carrying values of assets are appropriate. No impairment was identified for the years ended September 30, 2020 and 2019.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The deferred outflow of resources reported in the financial statements is deferred refunding costs which are amortized over the shorter of the remaining life of the refunded bonds or the refunding debt as a component of interest expense.

Bond Premium

Bonds payable are reported net of the applicable bond premium. Bond premiums are amortized over the life of the debt using a method that approximates the effective interest method. Amortization is included in interest expense.

Compensated Absences

The Hospital's employees earn paid time-off at varying rates depending on years of service. Employees may accumulate paid time-off up to a specified maximum. Employees are paid for accumulated paid time-off upon termination. The liability for compensated absences is included with accrued salaries and wages in the accompanying financial statements.

Operating Revenues and Expenses

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

Net Patient Service Revenue

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

Charity Care

The Hospital provides health care services to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Since the Hospital does not pursue collection of these amounts, they are not reported as patient service revenue. The estimated cost of providing these services was $174,000 and $387,000, respectively, for the years ended September 30, 2020 and 2019, calculated by multiplying the ratio of cost to gross charges for the Hospital by the gross uncompensated charges associated with providing charity care to its patients.

Grants and Contributions

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

Note 2 - Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements 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 a cost reimbursement methodology with final settlement determined after submission of annual cost reports by the Hospital and are subject to audits thereof by the Medicare Administrative Contractor (MAC). The Hospital's Medicare cost reports have been audited by the MAC through the year ended September 30, 2018. Clinical services are paid on a cost basis or fixed fee schedule.

Medicaid: Inpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services related to Medicaid beneficiaries are paid based on the lower of customary charges, allowable cost as determined through the Hospital's Medicare cost report, or rates as established by the Medicaid program. The Hospital is reimbursed at a tentative rate with final settlement determined by the program based on the Hospital's final Medicaid cost report. The Hospital's final Medicaid settlements have been processed through the year ended September 30, 2017.

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

Concentration of gross revenues by major payor accounted for the following percentages of the Hospital's patient service revenues for the years ended September 30, 2020 and 2019:

	2020	2019
Medicare	50%	53%
Medicaid	16%	8%
Blue Cross and other commercial payors	31%	34%
Self pay and other	3%	5%
	100%	100%

Laws and regulations governing the Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The net patient service revenue for the years ended September 30, 2020 and 2019 increased $379,000 and $2,000, respectively, due to removal of allowances previously estimated and years that are no longer likely subject to audits, reviews, and investigations.

Note 3 - Provider Relief Funds

The Hospital received $4,360,294 of Coronavirus Aid, Relief, and Economic Security (CARES) Act Provider Relief Funds administered by the Department of Health and Human Services (HHS). The funds are subject to terms and conditions imposed by HHS. Among the terms and conditions is a provision that payments will only be used to prevent, prepare for, and respond to coronavirus and shall reimburse the recipient only for healthcare-related expenses or lost revenues that are attributable to coronavirus. Recipients may not use the payments to reimburse expenses or losses that have been reimbursed from other sources or that other sources are obligated to reimburse. HHS currently has a deadline to incur eligible expenses of June 30, 2021. Unspent funds will be expected to be repaid.

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

As of September 30, 2020, the Hospital had a total refundable advance balance of $4,231,958, which was included in current liabilities on the accompanying statement of financial position. This amount also includes funds received as part of the Paycheck Protection Program (See Note 7). During the year ended September 30, 2020, the Hospital recognized $128,336 as revenue, included as nonoperating on the statement of revenues, expenses, and changes in net position.

Note 4 - Contributions Receivable

Contributions receivable held by the Foundation consist of the following at September 30, 2020 and 2019:

	2020	2019
Current contributions receivable	$ 106,382	$ 106,382
Amounts receivable in one to five years	112,765	191,488
Contributions receivable, net	$ 219,147	$ 297,870

At September 30, 2020 and 2019, the contributions receivable consisted entirely of amounts related to the private foundation discussed further in Note 9.

Note 5 - Deposits and Investments

The carrying amounts of deposits and investments as of September 30, 2020 and 2019 are included in the Hospital's statement of net position as follows:

	2020	2019
Carrying Amount		
Cash and deposits	$ 12,340,144	$ 5,717,255
Investments	1,171,648	958,759
Total	$ 13,511,792	$ 6,676,014

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

	2020	2019
Cash and cash equivalents	$ 3,327,880	$ 4,957,220
Cash and cash equivalents restricted for debt reserve	555,000	535,000
Cash restricted for Provider Relief Funds	6,710,177	-
Board designated reserves for specific operating purposes and capital improvements	1,587,215	-
Investments in certificates of deposit	1,171,648	958,759
Restricted by trustee for debt reserve	159,872	225,035
	$ 13,511,792	$ 6,676,014

Deposits - Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank or investment company failure, the Hospital's deposits may not be returned to it. The Hospital does not have a policy restricting the amount of deposits and investments subject to custodial credit risk. The amount of deposits not covered by FDIC, NCUA insurance or collateralized as of September 30, 2020 and 2019, was $11,309,767 and $4,292,674, respectively.

Investments

The Hospital's investments are reported at fair value. The Hospital had the following investments and maturities at September 30, 2020 and 2019:

	2020			
			Investment Maturities (in Years)	
	S&P Rating	Fair Value	Less than One	One to Five
Certificates of deposit	Not rated	$ 1,171,648	$ 971,047	$ 200,601

	2019			
			Investment Maturities (in Years)	
	S&P Rating	Fair Value	Less than One	One to Five
Certificates of deposit	Not rated	$ 958,759	$ 958,759	$ -

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. 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.

Concentration of Credit Risk

The Hospital will limit credit risk, the risk of loss due to the failure of the security issuer or backer, by diversifying in the investment portfolio so that potential losses on individual securities will be minimized. The Hospital does not have a formally adopted investment policy for managing concentration of credit risk. However, more than 5% of the Hospital's investments are invested in the following securities:

	2020	2019
East Idaho Credit Union CD	17%	0%
Eaglemark Savings Bank CD	21%	0%
State Bank of India CD	21%	0%
Mizrahi Tefahot Bank CD	19%	0%
Wells Fargo Bank NA CD	22%	16%
Morgan Stanley Bank NA CD	0%	27%
Synovus Bank GA CD	0%	23%
Bank of America NA CD	0%	19%
Texas Capital Bank NA CD	0%	15%
	100%	100%

Investment Income

Investment income, primarily interest income, for the years ended September 30, 2020 and 2019, was $47,062 and $84,609, respectively.

Fair Value

The Hospital has determined the fair value of certain investments in accordance with generally accepted accounting principles, which provides a framework for measuring fair value. A hierarchy of valuation classifications considers whether the inputs used in valuation techniques are observable or unobservable. Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy prioritizes the valuation inputs into the following three broad levels:

Level 1 – Unadjusted quoted prices for identical instruments in active markets that the reporting entity has the ability to access at the measurement date.

Level 2 – Quoted prices for similar investments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are directly or indirectly observable. Examples would be matrix pricing, market corroborated pricing and inputs such as yield curves and indices.

Level 3 – Valuations derived from valuation techniques in which significant inputs or significant value drivers are unobservable and may rely on the reporting entity's own assumptions, but the market participant's assumptions may be used in pricing the asset.

Inputs used to measure fair value might fall in different levels of the fair value hierarchy, in which case the Hospital defaults to the lowest level input that is significant to the fair value measurement in its entirety. These levels are not necessarily an indication of the risk or liquidity associated with the investments. In determining the appropriate levels, the Hospital performed a detailed analysis of the assets that are subject to fair value measurement.

Investments' fair value measurements are as follows at September 30, 2020 and 2019:

Certificates of deposit: investments in traded certificates of deposit, which are reported in noncurrent investments, are based on quoted market prices for identical investments in an inactive market or similar investments in markets that are either active or inactive.

As of September 30, 2020:

	Fair Value Measurements Using:		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments at Fair Value			
Certificates of Deposit	$ -	$ 1,171,648	$ -

As of September 30, 2019:

	Fair Value Measurements Using:		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments at Fair Value			
Certificates of Deposit	$ -	$ 958,759	$ -

Yellowstone Insurance Exchange

The Hospital participates in the Yellowstone Insurance Exchange, RRG (Yellowstone), a risk retention group with other hospitals to provide liability insurance, reinsurance and risk management services to its members. The Hospital has an approximate 3% interest in Yellowstone. As of September 30, 2020 and 2019, the Hospital had an investment of $312,506 and $337,756, respectively. All profits and losses from the operation of Yellowstone are allocated by the Subscriber Advisory Committee based on premiums paid, exposure rates, and ownership level. For financial reporting purposes, the Hospital accounts for its investment in Yellowstone under the equity method of accounting. The Hospital's share of income or loss from this venture is reported as an increase or decrease in the respective investment with a corresponding amount reported in investment income.

Summarized financial information for Yellowstone (audited) as of and for the years ended December 31, 2019 and 2018, is as follows:

	2019	2018
Total assets	$ 18,920,417	$ 22,031,377
Total liabilities	$ 9,980,764	$ 12,701,294
Total equity	$ 8,939,653	$ 9,330,083
Total revenues	$ 4,608,509	$ 5,458,216
Total income	$ 420,589	$ 901,461

Note 6 - Capital Assets

Capital assets additions, retirements, transfers and balances for the year ended September 30, 2020 are as follows:

	Balance September 30, 2019	Additions	Transfers and Retirements	Balance September 30, 2020
Capital assets not being depreciated				
Land	$ 1,037,717	$ -	$ -	$ 1,037,717
Construction in progress	38,402	39,831	(47,296)	30,937
Total capital assets not being depreciated	$ 1,076,119	$ 39,831	$ (47,296)	$ 1,068,654
Capital assets being depreciated				
Land improvements	$ 415,598	$ -	$ -	$ 415,598
Building and improvements	17,225,016	17,120	20,181	17,262,317
Equipment	10,386,497	708,676	27,115	11,122,288
Total capital assets being depreciated	28,027,111	$ 725,796	$ 47,296	28,800,203
Less accumulated depreciation for				
Land improvements	184,405	$ -	$ -	184,405
Building and improvements	5,524,360	714,477	-	6,238,837
Equipment	8,615,331	485,938	-	9,101,269
Total accumulated depreciation	14,324,096	$ 1,200,415	$ -	15,524,511
Net capital assets being depreciated	$ 13,703,015			$ 13,275,692
Capital assets, net	$ 14,779,134			$ 14,344,346

Capital assets additions, retirements, transfers and balances for the year ended September 30, 2019 are as follows:

	Balance September 30, 2018	Additions	Transfers and Retirements	Balance September 30, 2019
Capital assets not being depreciated				
Land	$ 1,037,717	$ -	$ -	$ 1,037,717
Construction in progress	45,808	504,408	(511,814)	38,402
Total capital assets not being depreciated	$ 1,083,525	$ 504,408	$ (511,814)	$ 1,076,119
Capital assets being depreciated				
Land improvements	$ 415,598	$ -	$ -	$ 415,598
Building and improvements	17,197,651	-	27,365	17,225,016
Equipment	9,861,421	40,627	484,449	10,386,497
Total capital assets being depreciated	27,474,670	$ 40,627	$ 511,814	28,027,111
Less accumulated depreciation for				
Land improvements	175,961	$ 8,444	$ -	184,405
Building and improvements	4,817,792	706,568	-	5,524,360
Equipment	7,877,912	737,419	-	8,615,331
Total accumulated depreciation	12,871,665	$ 1,452,431	$ -	14,324,096
Net capital assets being depreciated	$ 14,603,005			$ 13,703,015
Capital assets, net	$ 15,686,530			$ 14,779,134

Note 7 - Long-Term Debt

A schedule of changes in the Hospital's noncurrent liabilities consisted of the following amounts:

	Balance September 30, 2019	Additions	Payments	Balance September 30, 2020	Due Within One Year
Bonds Payable					
General Obligation Bonds					
2011	$ 4,915,000	$ -	$ 535,000	$ 4,380,000	$ 555,000
2011 bond premium	419,237	-	52,956	366,281	-
Medical office building payable	5,752,741	-	230,213	5,522,528	236,961
Paycheck Protection Program	-	2,478,219	-	2,478,219	1,120,645
Total long-term debt	$ 11,086,978	$ 2,478,219	$ 818,169	$ 12,747,028	$ 1,912,606

	Balance September 30, 2018	Additions	Payments	Balance September 30, 2019	Due Within One Year
Bonds Payable					
General Obligation Bonds					
2011	$ 5,425,000	$ -	$ 510,000	$ 4,915,000	$ 535,000
2011 bond premium	472,193	-	52,956	419,237	-
Medical office building payable	5,976,175	-	223,434	5,752,741	230,213
Total long-term debt	$ 11,873,368	$ -	$ 786,390	$ 11,086,978	$ 765,213

General Obligation Bonds – General Obligation Refunding Bonds, Series 2011 (the Refunding Bonds), were issued by Lemhi County in the amount of $8,215,000. The bond proceeds were used to refund the Steele Memorial Hospital Project, General Obligation Bonds, Series 2003. Through September 2027, annual principal installments ranging from $535,000 to $705,000 are required, plus semiannual interest payments from 4% to 5%.

In conjunction with the bond issuance, the Board of Commissioners of Lemhi County and the Board of Trustees of the Hospital executed a Memorandum of Understanding (the Memorandum). The Memorandum states the debt service obligation on the bonds will be funded from four sources. Steele Memorial Hospital Benefit Association doing business as Steele Memorial Foundation (the Foundation), an Idaho nonprofit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, is the beneficiary of a $3,000,000 grant from another private foundation. The grant will be paid semiannually until July 2022, and the proceeds are to be used for the payment of the principal and interest of these bonds. The Hospital anticipates benefit of reimbursable depreciation and interest costs from the newly constructed facility and the corresponding bond interest costs on the Hospital's cost reports. The County and the Hospital have agreed that no more than 60% of this benefit may be used for debt service. Amounts from Hospital operations may be budgeted for debt service upon approval by the County. Lastly, the County shall levy and cause to be levied annually upon all taxable property within the limits of the County, in addition to all other authorized taxes and

assessments, a tax or assessment sufficient to meet the debt service payments. Ultimately, the full faith and credit and all taxable property in Lemhi County are pledged as security on the Refunding Bonds.

Scheduled debt service requirements for the Hospital's General Obligation Bond payable are as follows:

	General Obligation Bond		
Years Ending September 30,	Principal	Interest	Total
2021	$ 555,000	$ 347,994	$ 902,994
2022	575,000	318,848	893,848
2023	600,000	288,699	888,699
2024	620,000	257,340	877,340
2025	650,000	95,000	745,000
2026-2028	1,380,000	104,250	1,484,250
Subtotal	4,380,000	$ 1,412,131	$ 5,792,131
Add bond premium	366,281		
	$ 4,746,281		

Medical Office Building Payable

A revenue bond was issued by Zions Bank, dated April 14, 2016, in the amount of $6,300,000 under a lease with the Idaho Health Facilities Authority. The funds were used to build a new medical office for the Hospital. Through March 2031, semiannual principal and interest installments of $197,978 are required, including semiannual interest payments from 2.91% to 3.409%.

The Hospital's note payable includes financial covenants that must be complied with as a condition of the Medical Office Building Revenue Bond.

The Hospital has the option to purchase improvements and to terminate the lease term at any time. To exercise such option the Hospital shall give written notice to Idaho Health Facilities Authority and Zions Bank, which shall specify the date of closing the purchase. The date shall not be less than 45 days nor more than 90 days from the date such notice is mailed. The total purchase price shall be $1.

Scheduled debt service requirements for the Hospital's Medical Office Building bond payable are as follows:

Years Ending September 30,	Medical Office Building Revenue Bond Principal	Interest	Total
2021	$ 236,961	$ 158,994	$ 395,955
2022	243,907	152,048	395,955
2023	251,056	144,899	395,955
2024	258,415	137,540	395,955
2025	265,990	129,966	395,956
2026-2030	1,075,928	507,894	1,583,822
2031-2032	3,190,271	155,750	3,346,021
	$ 5,522,528	$ 1,387,091	$ 6,909,619

Paycheck Protection Program

The Hospital was granted a $2,478,219 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Hospital is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Hospital has recorded a note payable and will record the forgiveness upon being legally released from the loan obligation by the SBA and lender. No forgiveness income has been recorded for the year ended September 30, 2020. The Hospital intends to apply for forgiveness of the PPP loan in 2021. The Hospital will be required to repay any remaining balance, plus interest accrued at 1% in monthly payments. Principal and interest payments will be required through the maturity date May 8, 2022. The Hospital has recorded $1,120,645 as a current portion and $1,357,574 as long-term portion in the statements of net position.

Note 8 - Employee Benefit Plan

The Hospital provides employees with the Steele Memorial Medical Center 457 Deferred Compensation Plan (the 457 Plan), a deferred compensation pension plan, for its benefit-eligible employees. Benefit terms, including contribution requirements, are established and may be amended by the Hospital. Employees are permitted to make contributions and earnings on those contributions. Employees are immediately vested in their own contributions and earnings on those contributions. The Hospital does not contribute to the 457 Plan.

The Hospital has a profit-sharing plan under which employees become participants upon the completion of 12 months of creditable service. Discretionary employer contributions are deposited with the plan trustee who invests the plan assets. Total pension plan expense for the years ended September 30, 2020 and 2019 and 2018, was approximately $246,000, $207,000, and $185,000, respectively.

Note 9 - Related Party Transactions

As discussed in Note 4, the Hospital receives funds from its discretely presented component unit, the Steele Memorial Foundation, to fund its bond payments, as well as contributions of funds for specified purposes and equipment. During the years ended September 30, 2020 and 2019, contributions from the Foundation for bond payments amounted to $125,000. Contributions for specified purposes and equipment amounted to $116,701 and $64,400, for the years ended September 30, 2020 and 2019, respectively.

Note 10 - Concentrations of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors and patients at September 30, 2020 and 2019, was as follows:

	2020	2019
Medicare	37%	37%
Medicaid	16%	6%
Commercial insurance	24%	33%
Other third-party payors and patients	23%	24%
	100%	100%

Note 11 - Contingencies and Commitments

Risk Management

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

Malpractice Insurance

The Hospital has malpractice insurance coverage to provide protection for professional liability losses on a claims-made basis through Yellowstone Insurance Exchange (the Exchange), a risk retention group. Claims are subject to a limit of $1 million per claim and an annual aggregate limit of $3 million. The Hospital has a $10,000 deductible requirement for each claim. 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. The Hospital, based upon information available, has determined that no significant liability exists for potential losses incurred but not reported at September 30, 2020 and 2019.

Litigation, Claims, and Disputes

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

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

Commitment

The Hospital has a contract with Quorum Health Resources (QHR) for management and advisory services through March 2021. Under this contract, the Hospital has committed to reimburse QHR for salaries of approximately $372,000 per year through the contract.

Total payments to QHR for the management and advisory services for the years ended September 30, 2020 and 2019, were approximately $800,000 and $743,000, respectively.

COVID-19 Pandemic

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

Paycheck Protection Program (PPP) Loan Review

Loans issued under the PPP were subject to good-faith certifications of the necessity of the loan request. Borrowers with loans issued under the program in excess of $2 million are subject to review by the SBA for compliance with the program requirements. If the SBA determines that a borrower lacked an adequate basis for the loan or did not meet the program requirements, the loan will not be eligible for loan forgiveness and the SBA will seek repayment of the outstanding PPP loan balance. As such, the potential exists that the Hospital may be deemed ineligible for loan forgiveness and be required to repay the loan.

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CPAs & BUSINESS ADVISORS

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

To the Board of Directors
Steele Memorial Medical Center
Salmon, Idaho

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Steele Memorial Medical Center (the Hospital) and its discretely presented component unit as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated March 5, 2021.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Boise, Idaho
March 5, 2021