

Stoughton Hospital Association Executive Committee

Monday February 28, 2022 | 7:30 a.m. – 8:30 a.m.

Phone: 312.626.6799 | Meeting ID: 856 6127 2843 | Passcode: 752094

Zoom info: <https://us06web.zoom.us/j/85661272843?pwd=aFBSQk52dHRiO3gyZGxMQmRqOzNFOT09>

Committee Members

Tom Fendrick | Donna Olson | Steve Staton | Margo Francisco | Dan DeGroot | Michelle Abey

Item	Discussion	Presenter
	1. Call to Order	Tom Fendrick
	2. 2026 Key Assumptions (<i>See Attached</i>)	Dan DeGroot
	3. Master Facility Plan Review (<i>See Attached</i>)	Dan DeGroot
	4. Organizational Structure Update/Review (<i>See Attached</i>)	Dan DeGroot
	5. Operations Update <ul style="list-style-type: none"> • COVID • Robotic Exploration (Orthopedics) • Workforce Management • DNV vs. The Joint Commission Discussion • Pharmacy Renovation Update 	Dan DeGroot/ Michelle Abey
A	6. January Financials (<i>See Attached</i>)	Michelle Abey
	7. February Gross Revenue Month-to-Date	Michelle Abey
	8. Conflict of Interest Statement Update (<i>See Attached</i>)	Michelle Abey
	9. Final Audit Report – FY2021 (<i>See Attached</i>)	Michelle Abey
	10. Adjournment	Tom Fendrick

Upcoming Meetings:

- Governing Board Meeting: Thursday, March 24, 2022 – 7:15 a.m.
- Executive Committee Meeting: Monday, April 25, 2022 – 7:30 a.m.
- Finance Committee Meeting: Friday, April 22, 2022 – 7:30 a.m.

Note:

- A = Item requiring a Board/Committee Action, Approval, Recommendation or Acceptance
- R = Item requiring a formal Board Resolution



MISSION

The mission of Stoughton Hospital is to provide safe, quality health care with exceptional personalized service.

VISION

We grow to meet the changing needs of the communities we serve and become their health partner of choice.

VALUES

Our patients and community are our number one priority.

2026 KEY ASSUMPTIONS AS OF 2/20/22

STRATEGIC	WORKFORCE	DEMOGRAPHICS	SERVICES	FINANCE	OPERATIONS
<p>SH will continue to be Affiliate of SSM (who will continue with 40% ownership status).</p>	<p>Workforce issues (wage inflation, labor shortages) will persist into foreseeable future.</p>	<p>SH's primary service area will continue to see steady population growth both organic and due to immigration as housing development continues (esp. Oregon, Stoughton, McFarland).</p>	<p>Where care delivery occurs will continue to change, being driven by payers to lower cost and consumers to increasingly convenient settings.</p>	<p>There will be an intense downward pressure on health care costs and reimbursement at all levels (Federal, State, and Commercial).</p>	<p>Combination of employed specialists, independent specialists and outreaching SSM/UW specialists will dictate need for 3 vs 2 ORs.</p>
<p>Creation of an ASC IV between SH and SSM would serve both organizations well, mitigating historical outmigration challenges for SH while creating additional revenue stream and thus ROI for SSM Specialty outreach services.</p>	<p>Future facilities will need to reflect optimally efficient environments maximizing workflows and leveraging technology to reduce reliance on workforce.</p>	<p>Demand for healthcare services associated with the aging of general population (Boomers) will increase over next decade:</p> <ul style="list-style-type: none"> • Cardiology Services • Pulmonary Services • Orthopedics • Urology • Cardiac Rehab • Physical Therapy • Medical admissions • GI • Breast Health • Chemotherapy • Long term infusion therapy 	<p>95% of SH surgical and procedural volumes will be provided as outpatient services.</p>	<p>Given aging Boomer population, payor mix will reflect increasing % Medicare, Medicaid vs other payers with subsequent downward pressure on margins.</p>	<p>SH will need to preserve IP OR, pre - post surgery space for remaining IP cases and/or emergent IP cases.</p>
		<p>Creation of micro-niche services within broader service portfolios will be critical to sustain volume growth and brand strength.</p> <ul style="list-style-type: none"> • General Surgery <ul style="list-style-type: none"> ○ EVLT ○ LYNX • Orthopedics <ul style="list-style-type: none"> ○ Shoulder ○ Conformis ○ Therapy 			
<p>SH will continue to operate as a Critical Access Hospital paneled by both Quartz and DHP for their full portfolio of products.</p>	<p>Due to workforce challenges (supply:demand inequity) employee engagement, wellbeing and retention will be critical to sustain services and programs.</p>	<p>Services driven by population growth (vs aging population) will grow more slowly</p> <ul style="list-style-type: none"> • General Surgery • ENT 		<p>The shift from Fee for Service (FFS) to Value Based Alternative Payment Models will accelerate as 2026 approaches.</p>	

STRATEGIC	WORKFORCE	DEMOGRAPHICS	SERVICES	FINANCE	OPERATIONS
		Behavioral Health availability will continue to fall far short of demand. Dementia related I.P. care (Geri Psych) will continue to grow as a result of Boomer aging.	UC sites will increase volumes as PCP shortage grows. SWAC services return to SH campus.	SH will need to partner with other systems in order to add value within an ACO structure.	
				Disruptive technologies will impact historical procedural volumes (i.e., Cologuard testing vs screening colonoscopies)	



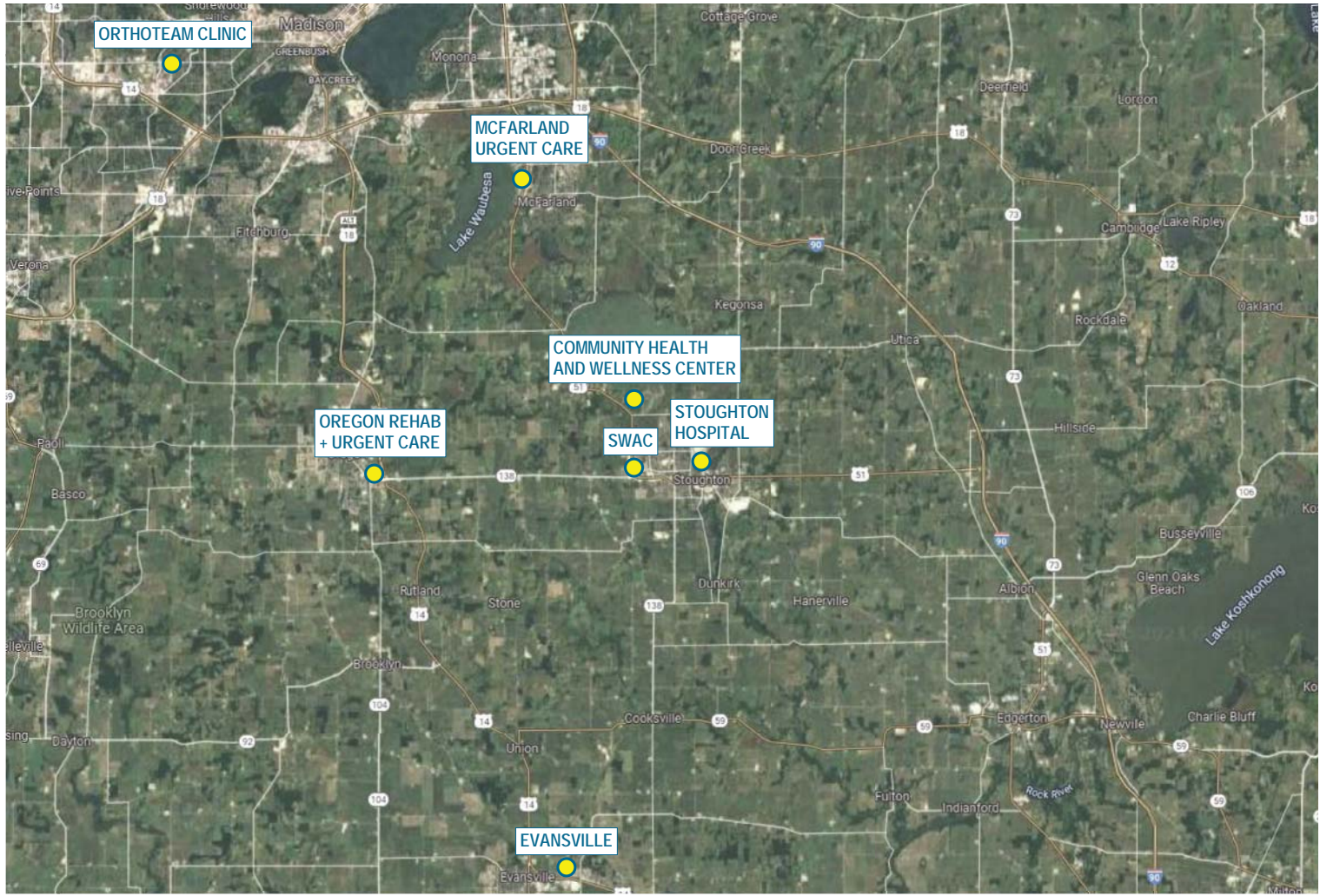


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STOUGHTON HOSPITAL HAS CONDUCTED COST STUDIES FOR REPAVING THIS EXISTING LOT AND FOR PROVIDING HEATED HELIPAD SURFACE



SSM HEALTH DEAN MEDICAL GROUP

ANNEX BUILDING HAS BEEN REMOVED

EMPLOYEE PARKING

NEW PROPERTY OWNED BY HOSPITAL

POTENTIALLY AVAILABLE TO PURCHASE

PARKING AND STORMWATER EXPANSION NEEDED IF BUILT AREA IS INCREASED.

CURRENT PARKING = +/- 80 STALLS
 PARKING WITH INCLUSION OF 708 & 717 = 140-170 STALLS



TRUE

SITE AERIAL - CURRENT

**STOUGHTON HEALTH
CONCEPTUAL BUILDING PROGRAM**
SQUARE FOOTAGES ARE APPROXIMATED

FIRST FLOOR

SWAC REHAB-	5400 SF
ORTHO AND GEN SURG-	2500 SF
SPECIALTY, PODIATRY, X-RAY-	4000 SF
LOBBY AND PUBLIC SPACE-	800 SF
MECH. AND BLDG. SUPPORT-	1200 SF
GROSSING AT 20%-	1780 SF
TOTAL-	15680 SF

SECOND FLOOR

ASC-	13500 SF
PUBLIC AND BLDG SUPPORT-	400 SF
GROSSING @ 20% -	2700 SF
TOTAL-	16600 SF

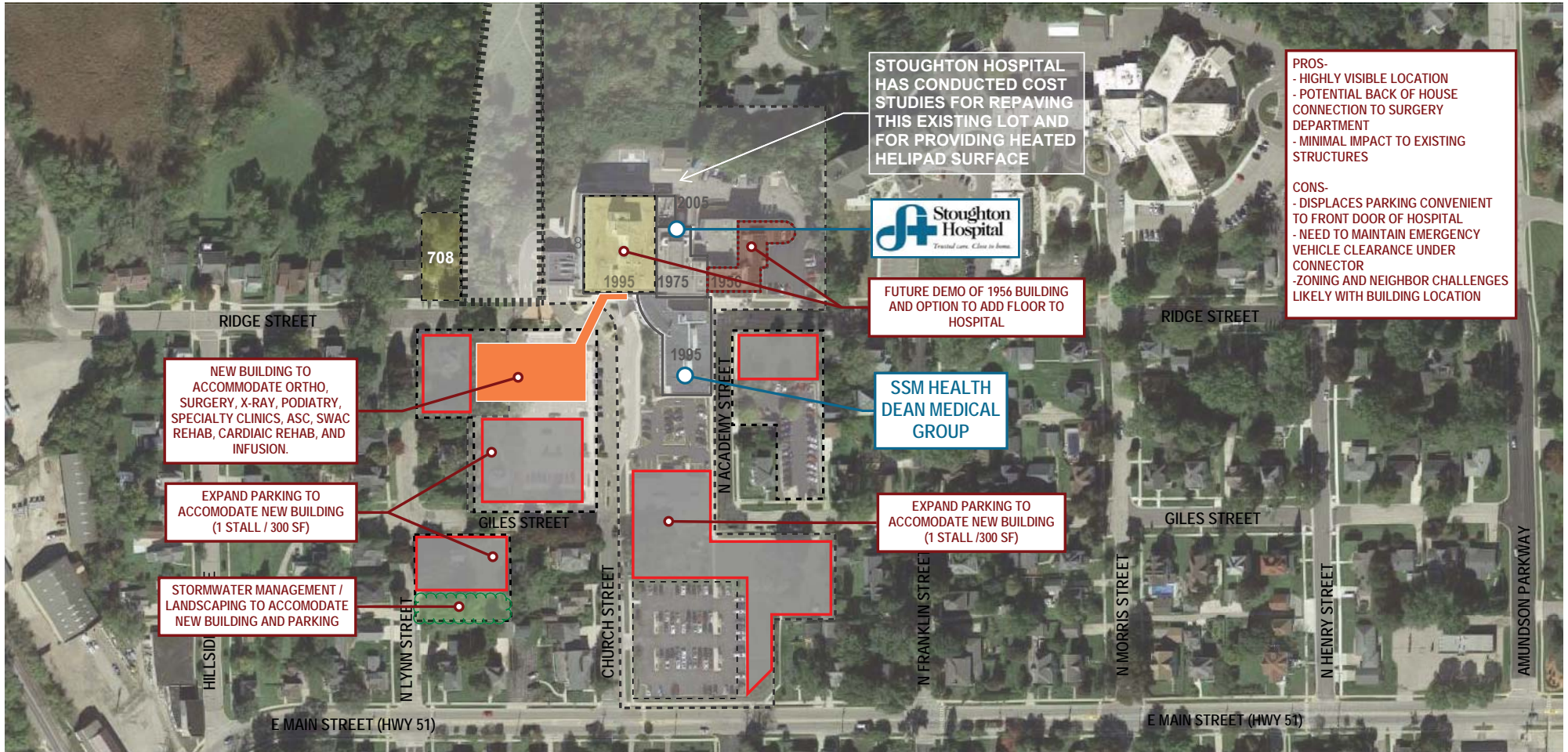
THIRD FLOOR

CARDIAC REHAB-	2200 SF
INFUSION-	2000 SF
SHELL-	9700 SF
PUBLIC AND BLDG SUPPORT-	400 SF
GROSSING @ 20% -	2700 SF
TOTAL-	16600 SF

TOTAL BUILDING- 50,0000 SF

CONNECTOR SF VARIES PER OPTION
OPTION 1 CONNECTOR 1350 SF
OPTION 2 CONNECTOR 925 SF PER FLOOR

*GROSSING INCLUDES EXTERIOR WALL
THICKNESS, CIRCULATION, STAIRS,
ELEVATORS, AND MISC. MECHANICAL
FUNCTIONS. ROOF MOUNTED AIR
HANDLING ASSUMED FOR BUILDING.



TRUE

SITE AERIAL - EXPANSION OPTION 1



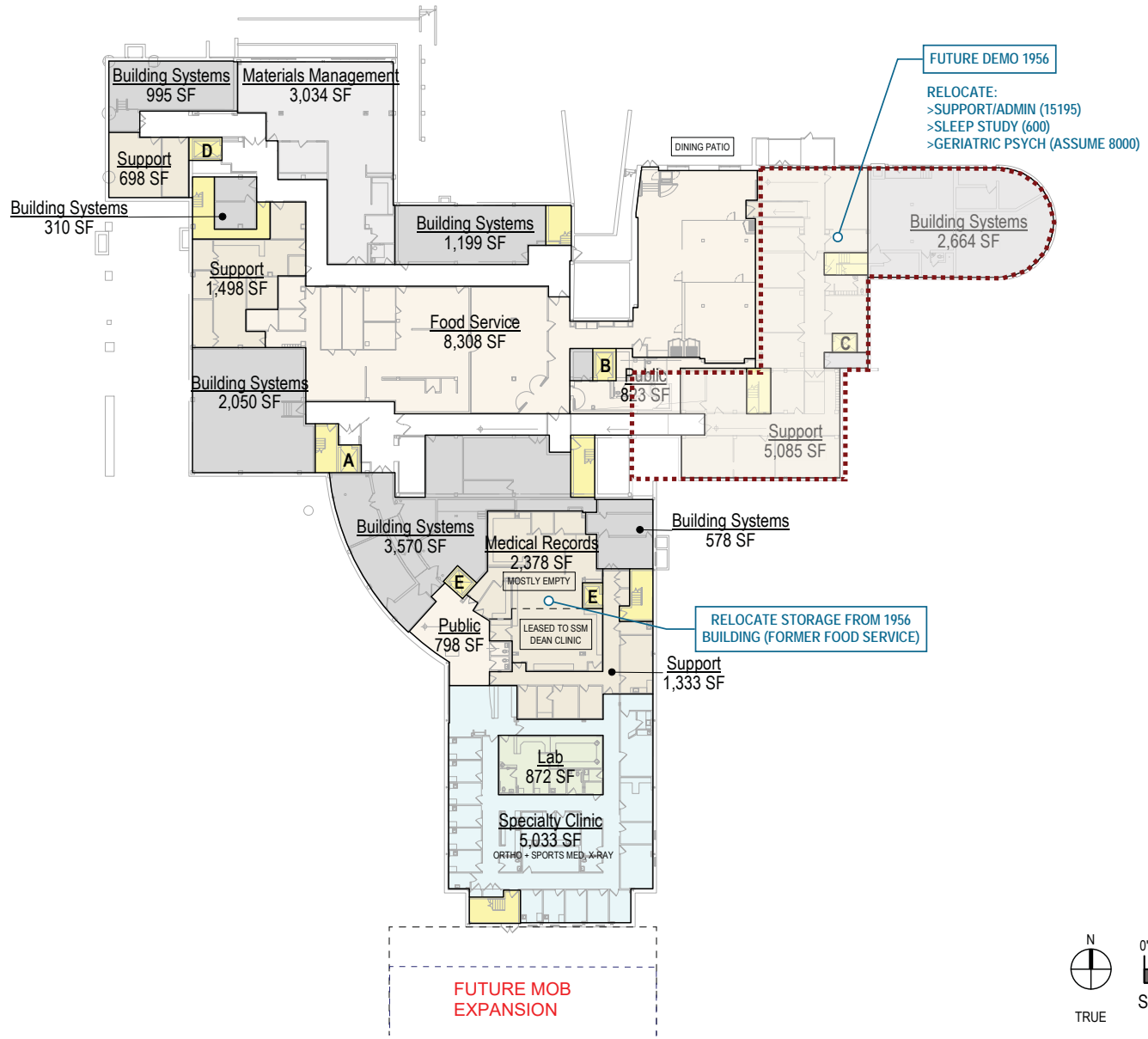
16,600 SF x 3 = 50,000 SF NEW BUILDING
 8,800 SF BUILDING REMOVED (ANNEX)
 42,000 SF ADDED

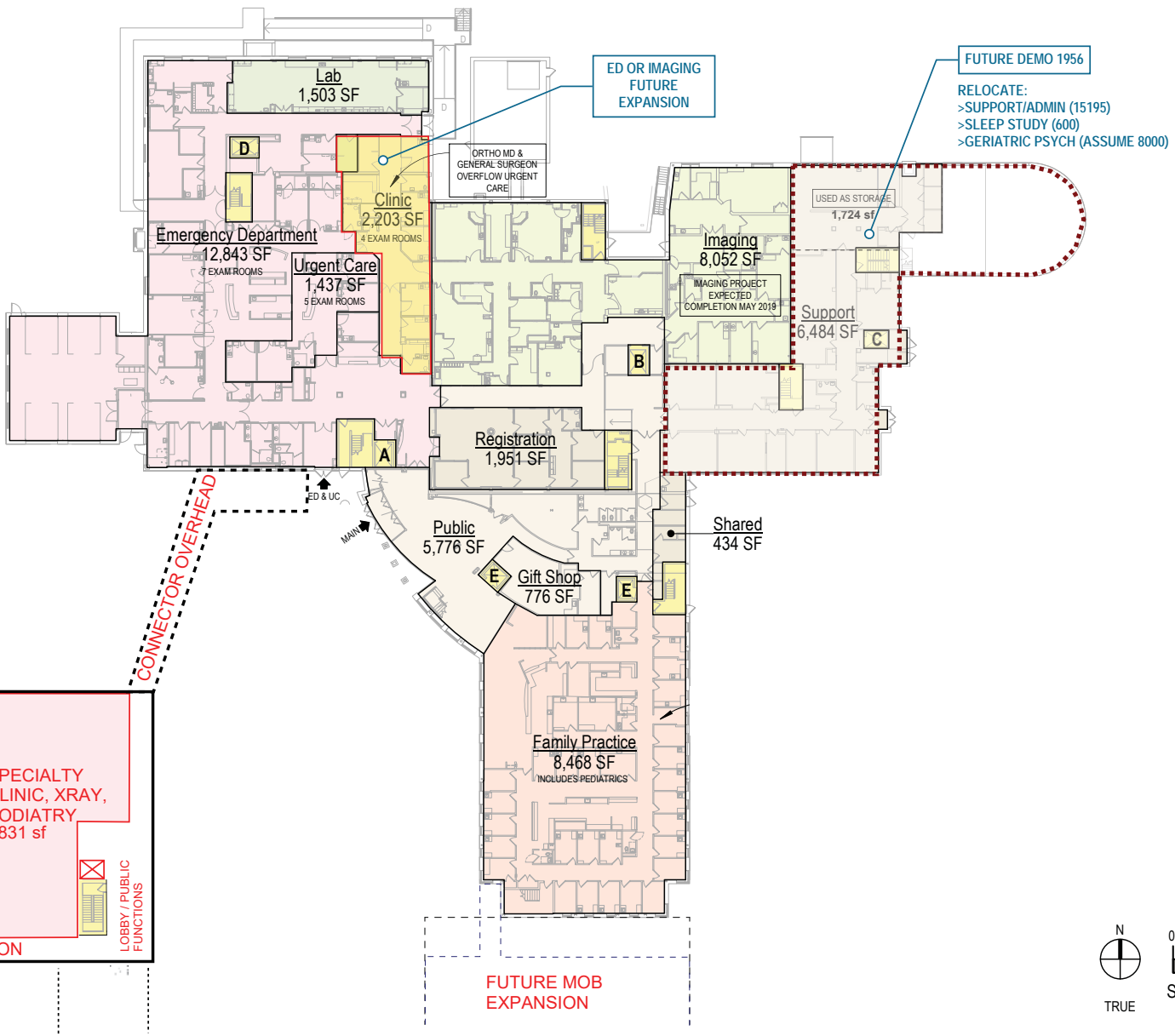
42,000 / 300 = 140 NEW STALLS

140 NEW STALLS + 84 DISPLACED STALLS
 = 224 REQUIRED TOTAL

241 STALLS PROVIDED



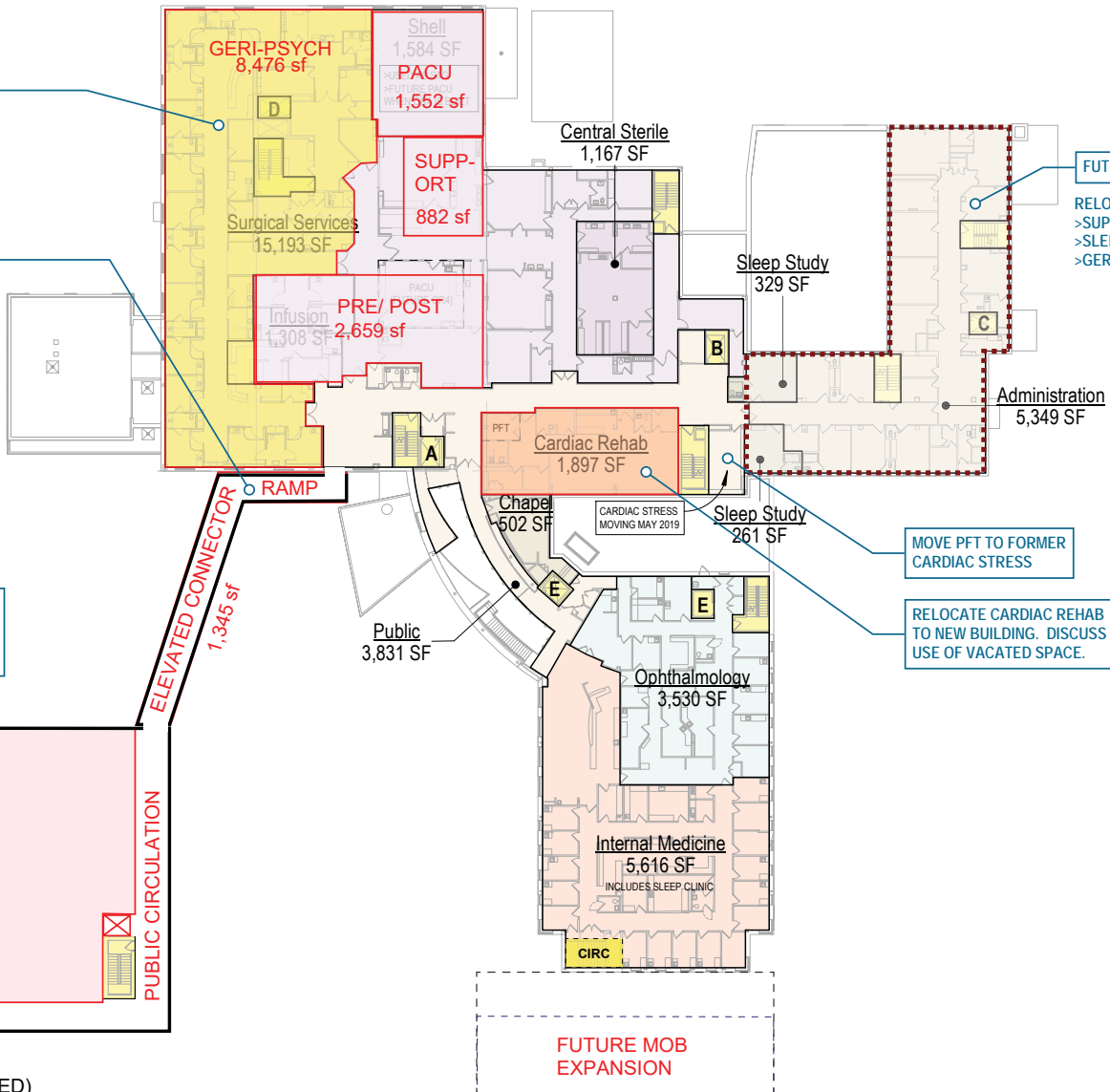




EVALUATION OF SPACE FOR GERI-PSYCH UNIT. SIGNIFICANT RENOVATION OF SURGERY NEEDED. REQUIRES REMOVAL OF 1 OR RELOCATION OF PRE, POST, AND PACU BAYS REQUIRED. POSES LIFE SAFETY EXITING CHALLENGES WITH STAIR DISTRIBUTION AND LOCKED UNIT. FEASIBILITY IS QUESTIONABLE FROM LIFE SAFETY PERSPECTIVE. POTENTIALLY LESS EXPENSIVE TO BUILD FREESTANDING UNIT.

SHORT RAMP IS LIKELY REQUIRED TO PROVIDE OVERHEAD CLEARANCE FOR AMBULANCE TRAFFIC. EXISTING GRADE TO SECOND FLOOR IS 12'6"

ASC WITH 2 OPERATING ROOMS AND 2 GI ROOMS FOR APPROX. 4,000 CASES PER YEAR (VOLUME DEPENDANT ON UTILIZATION, CASE MIX, AND TURN TIMES)



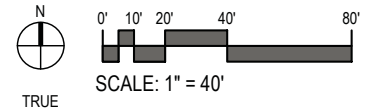
FUTURE DEMO 1956

RELOCATE:
 >SUPPORT/ADMIN (15195)
 >SLEEP STUDY (600)
 >GERIATRIC PSYCH (ASSUME 8000)

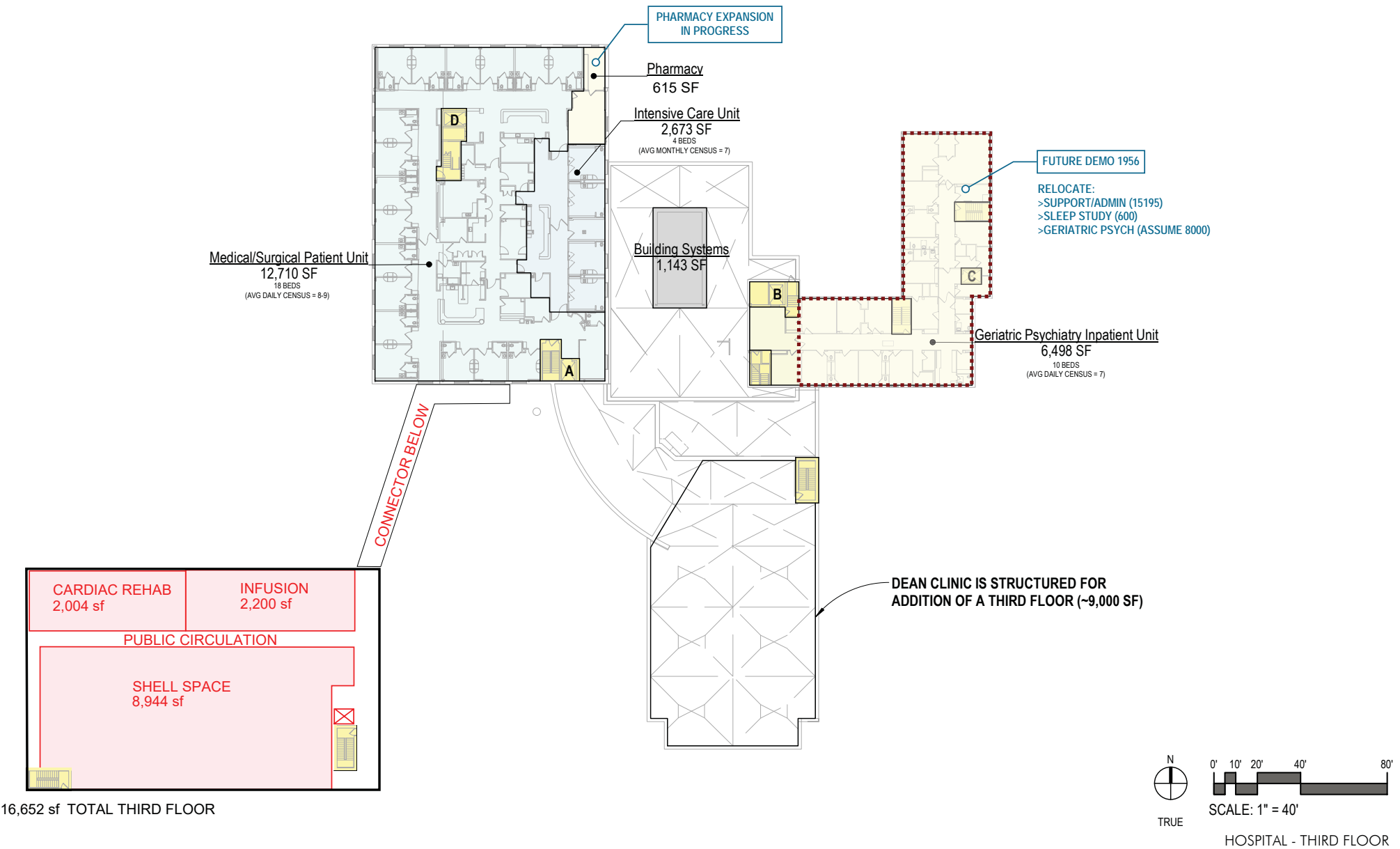
MOVE PFT TO FORMER CARDIAC STRESS

RELOCATE CARDIAC REHAB TO NEW BUILDING. DISCUSS USE OF VACATED SPACE.

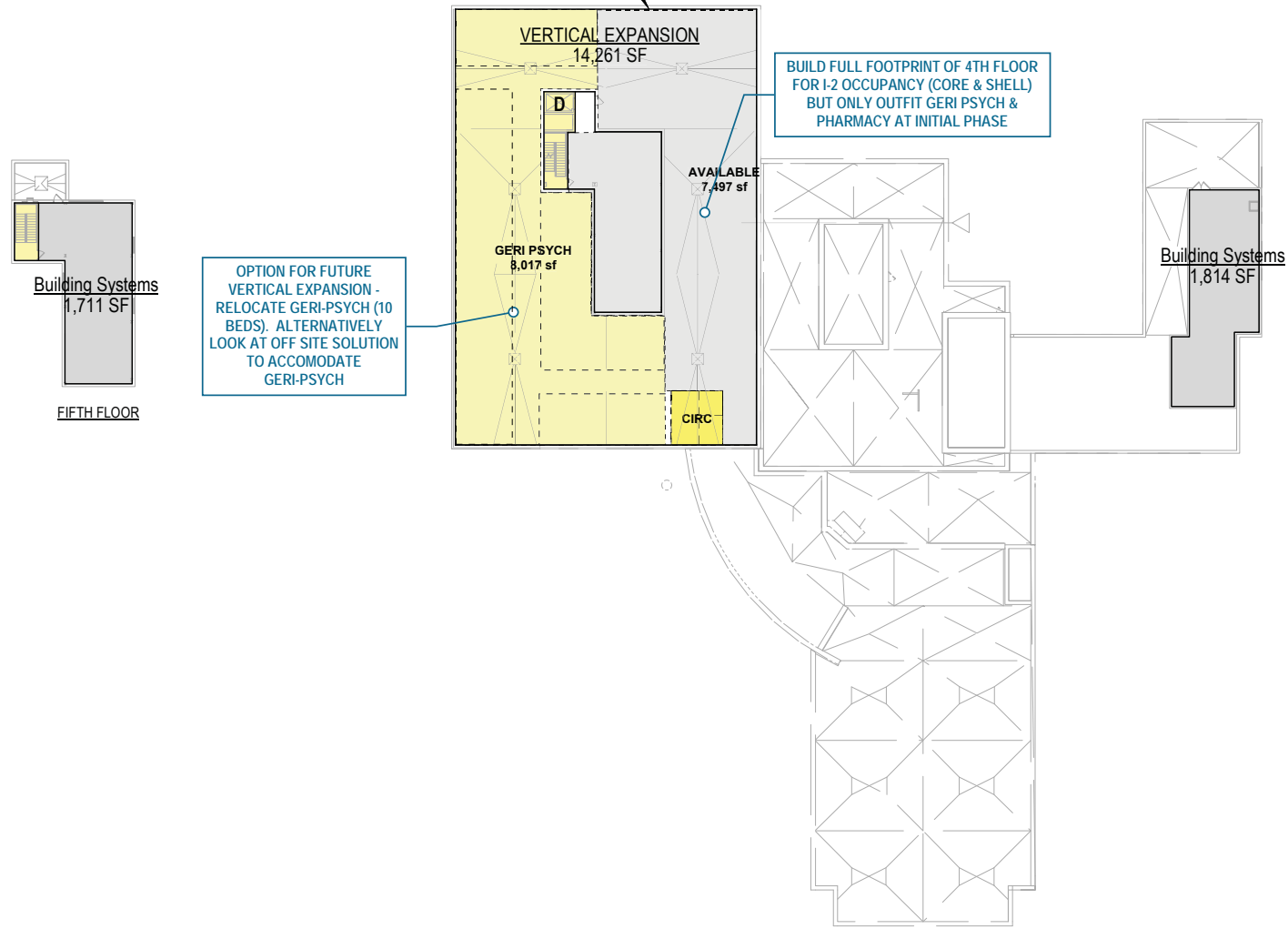
16,652 sf TOTAL SECOND FLOOR (CONNECTOR NOT INCLUDED)



HOSPITAL - SECOND FLOOR

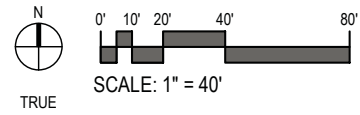


PATIENT UNIT WING IS STRUCTURED FOR AN ADDITIONAL FLOOR (~22 BEDS)

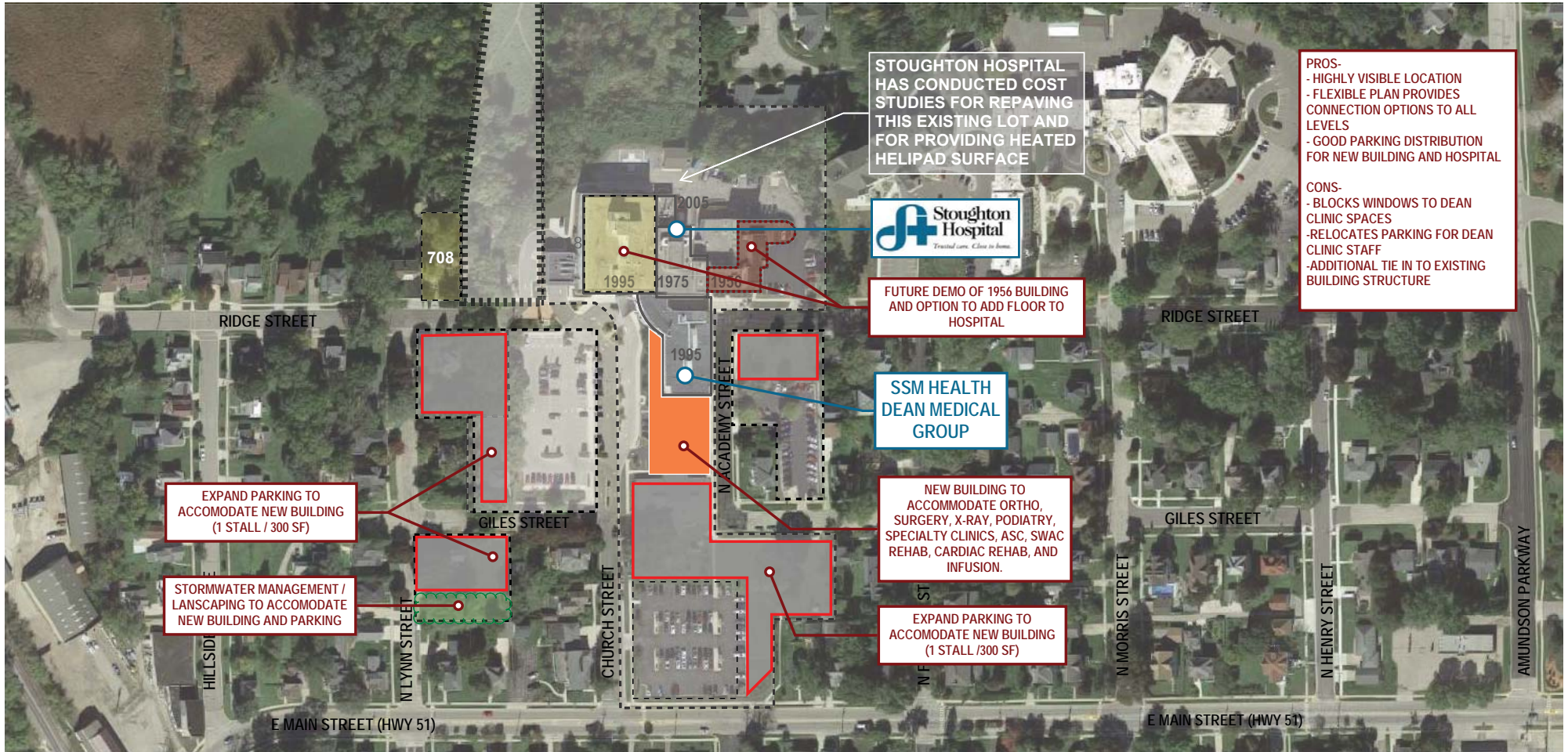


BUILD FULL FOOTPRINT OF 4TH FLOOR FOR I-2 OCCUPANCY (CORE & SHELL) BUT ONLY OUTFIT GERI PSYCH & PHARMACY AT INITIAL PHASE

OPTION FOR FUTURE VERTICAL EXPANSION - RELOCATE GERI-PSYCH (10 BEDS). ALTERNATIVELY LOOK AT OFF SITE SOLUTION TO ACCOMODATE GERI-PSYCH



HOSPITAL - FOURTH & FIFTH



TRUE

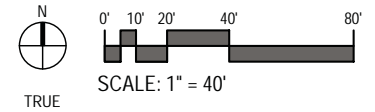
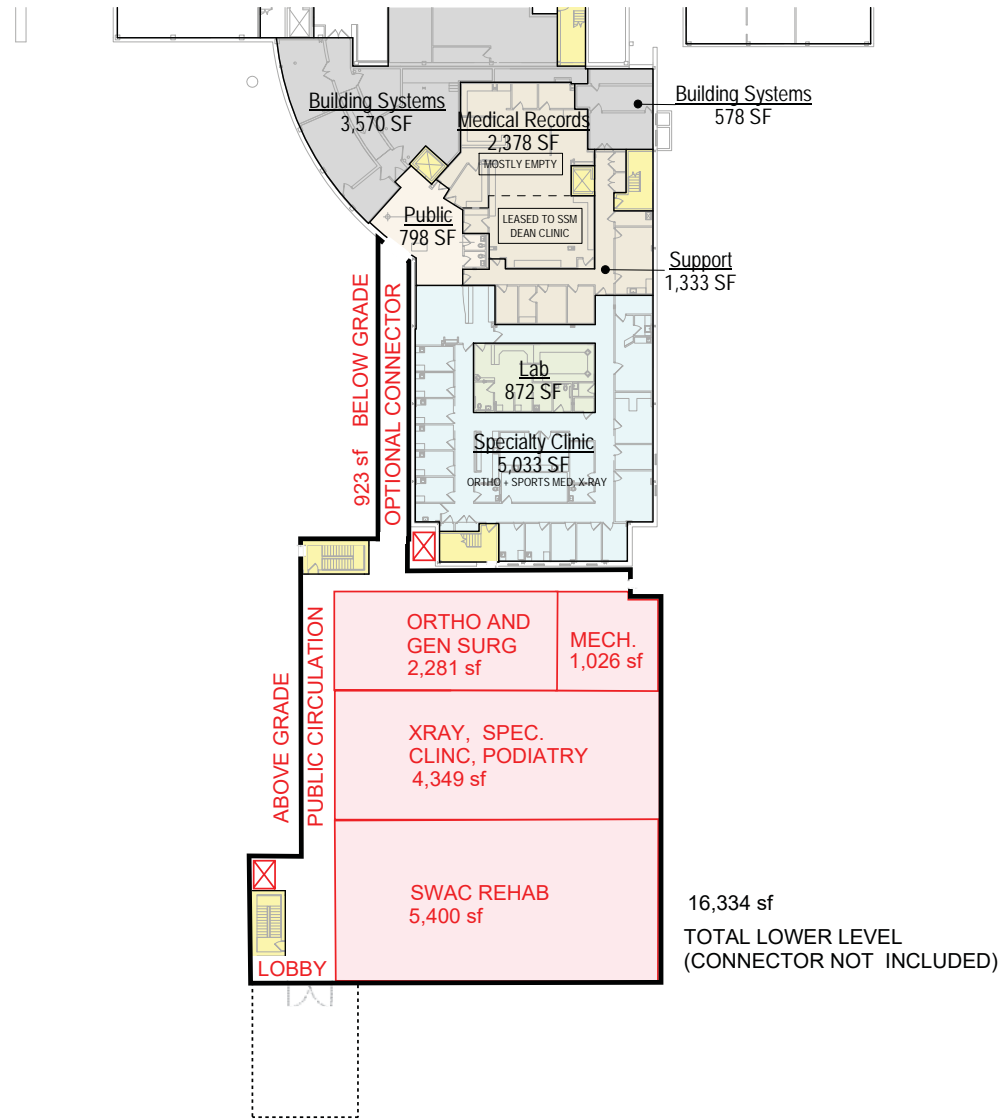
SITE AERIAL - EXPANSION OPTION 2 (RECOMMENDED)



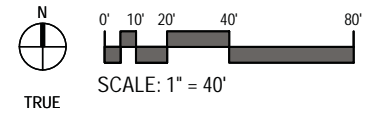
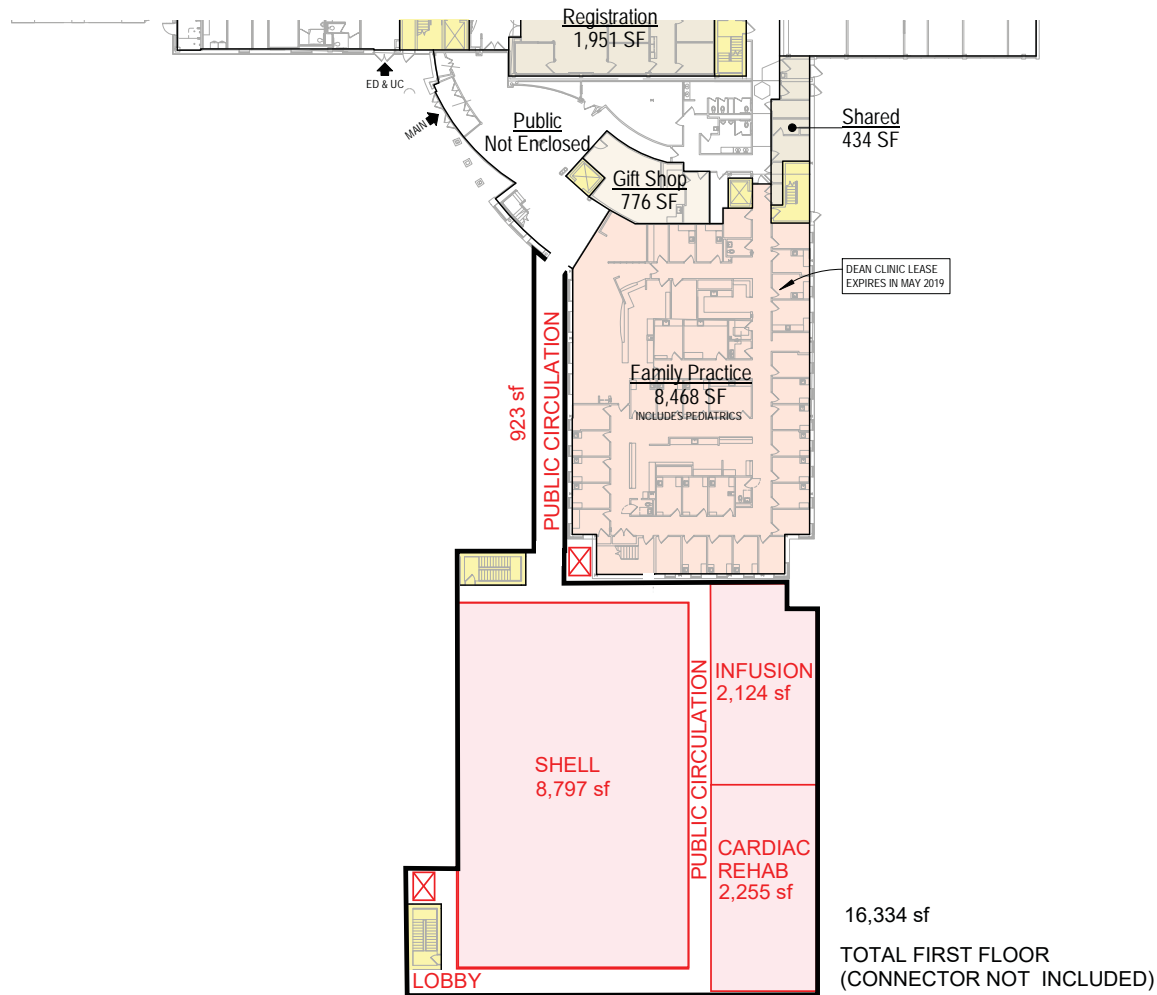
16,600 SF x 3 = 50,000 SF NEW BUILDING
 8,800 SF BUILDING REMOVED (ANNEX)
 42,000 SF ADDED

 $42,000 / 300 = 140$ NEW STALLS
 140 NEW STALLS + 27 DISPLACED STALLS = 167 REQUIRED TOTAL
 APPROX 190 STALLS PROVIDED

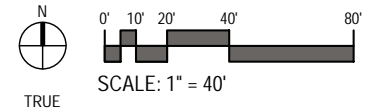
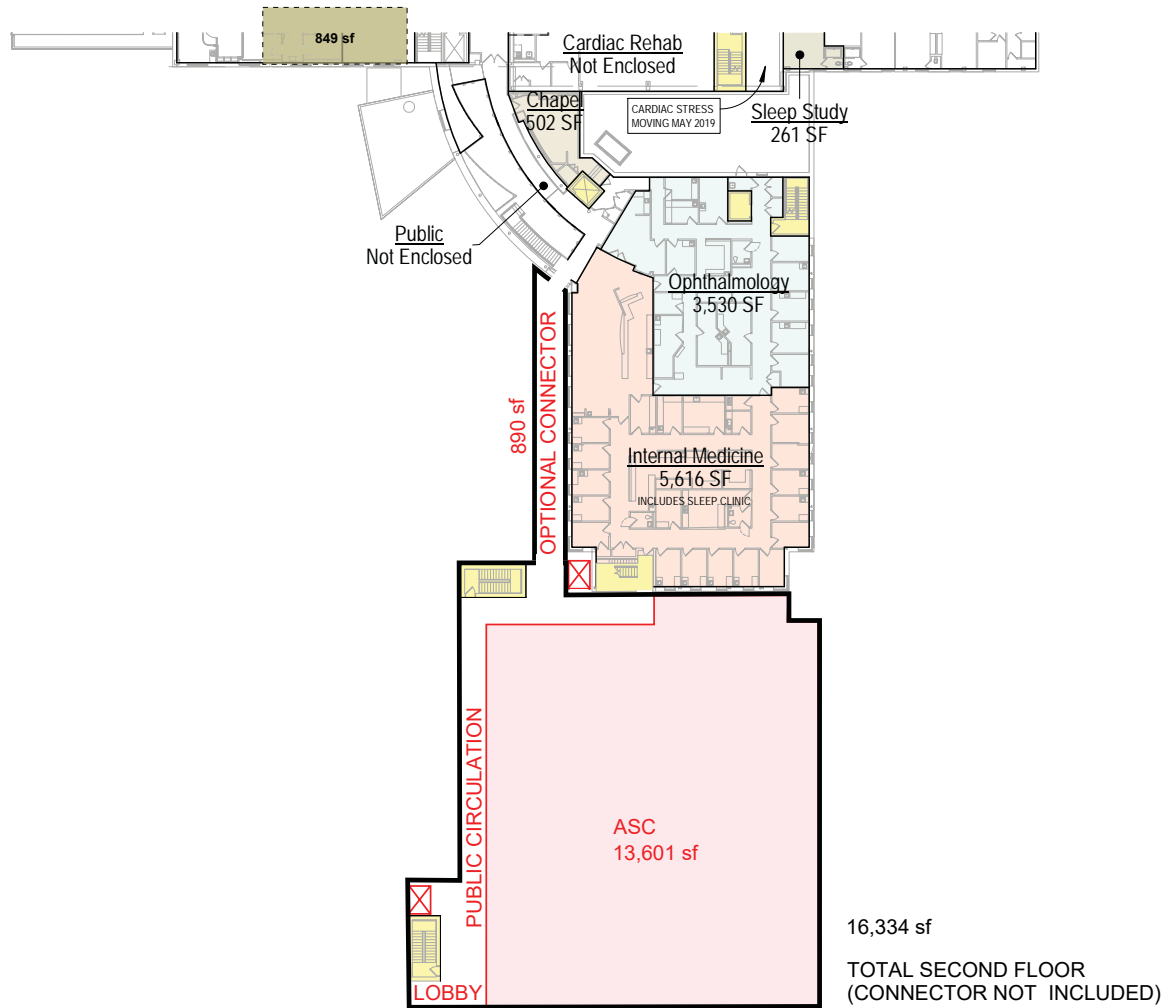




LOWER LEVEL PLAN



FIRST FLOOR PLAN



SECOND FLOOR PLAN

Zoning Notes-

(6) Institutional Districts:

(a) Institutional (I) District:

- a. Description and purpose: This district is intended to permit high-quality institutional land uses at an intensity compatible with the overall community character of the city.

Rationale: This district is used to provide for the reservation and designation of areas for institutional development.

8. Regulations applicable to nonresidential uses:

a. Nonresidential intensity requirements:

Maximum number of floors (F): Four

Minimum landscape surface ratio (LSR): 25 percent

Maximum floor area ratio (FAR): 1.0 (may be exceeded through use of structured parking)

Maximum building size (MBS): na

a. Nonresidential bulk requirements:

A: Minimum lot area: 20,000 square feet

B: Minimum lot width: 100 feet; minimum street frontage: 50 feet

Minimum Setbacks:

C: Building to front or street side lot line: 25 feet

D: Building to residential side lot line: Ten feet

E: Building to residential rear lot line: 30 feet

F: Building to nonresidential side lot line: Ten feet or zero feet where property line divides attached buildings

G: Building to nonresidential rear lot line: 30 feet

H: Side lot line to accessory structure: Four feet from property line, four feet from alley

I: Rear lot line to accessory structure: Four feet from property line, four feet from alley

J: Required bufferyard: See section 78-610 along zoning district boundary

K: Minimum paved surface setback: Five feet from side or rear; ten feet from right-of-way

L: Minimum building separation: 20 feet or zero feet where property line divides attached buildings

M: Maximum building height: 40 feet

N: Minimum number of off-street parking spaces required on the lot: See parking lot requirements per specific land use in [section 78-206](#)

From <https://library.municode.com/wi/stoughton/codes/code_of_ordinances?nodeId=MUCO_CH78ZO_ARTIESZODI_S78-104INZODIBO>

(3) Institutional land uses.

(a) Indoor institutional.

Description: Indoor institutional land uses include all indoor public and not for profit recreational facilities (such as gyms, swimming pools, libraries, museums, and community centers), schools, churches, nonprofit clubs, nonprofit fraternal organizations, convention centers, hospitals, jails, prisons, and similar land uses.

1. Regulations:

- a. Shall provide off-street passenger loading area if the majority of the users will be children (as in the case of a school, church, library, or similar land use).
- b. All structures shall be located a minimum of 50 feet from any residentially zoned property.

2. Parking requirements: Generally, one space per three expected patrons at maximum capacity. However, see additional specific requirements below:

- a. **Hospital: One space per two patient beds, plus one space per staff doctor and one space per two employees on the largest work shift.**

(4) Commercial land uses.

(b) Personal or professional service:

Description: Personal service and professional service land uses include all exclusively indoor land uses whose primary function is the provision of services directly to an individual on a walk-in or on-appointment basis. Examples of such uses include professional services, insurance or financial services, realty offices, medical offices and clinics, veterinary clinics, barber shops, beauty shops, and related land uses.

1. Parking requirements: One space per 300 square feet of gross floor area.

From <https://library.municode.com/wi/stoughton/codes/code_of_ordinances?nodeId=MUCO_CH78ZO_ARTIIAUSRE_S78-206DELAUSDERE>

Sec. 78-610. - Landscaping requirements for bufferyards.

(1) *Purpose:* This section provides the landscaping and width requirements for bufferyards on lots developed after the effective date of this chapter. A bufferyard is a combination of distance and a visual buffer or barrier. It includes an area, together with the combination of plantings, berms and fencing, that are required to eliminate or reduce existing or potential nuisances. These nuisances can often occur between adjacent zoning districts. Such nuisances are dirt, litter, noise, glare of lights, signs, and incompatible land uses, buildings or parking areas.

Rationale: One of zoning's most important functions is the separation of land uses into districts which have similar character and contain compatible uses. The location of districts is supposed to provide protection, but in the City of Stoughton, this is not the case since zoning districts permitting uses as diverse as single-family residential and industrial uses were located next to one another long before the effective date of this chapter. Bufferyards will operate to minimize the negative impact of any future use on neighboring uses.

(2) *Required locations for bufferyards:* Bufferyards shall be located along (and within) the outer perimeter of a lot wherever two different zoning districts abut one another. Bufferyards shall not be required in front yards.

(3) *Determination of required bufferyard:* The determination of bufferyard requirements is a two-staged process. First, the required level of bufferyard opacity is determined using Table 78-610(4)(a). Opacity is a quantitatively-derived measure which indicates the degree to which a particular bufferyard screens the adjoining property. The required level of opacity indicated by Table 78-610(4)(a) is directly related to the degree to which the potential character of development differs between different zoning districts. The provisions of this section indicate the minimum requirements for bufferyards located along zoning district boundaries.

(4) *Identification of required level of opacity:* Table 78-610(4)(a) shall be used to determine the minimum level of opacity for the required bufferyard. The required level of opacity is determined by the value given in the cell of the table at which the column heading along the top row of the table (representing the subject property's zoning district) intersects with the row heading along the left hand side of the table (representing the adjacent property's zoning district). The value listed is the required level of opacity for the bufferyard on the subject property.

(5) *Identification of detailed bufferyard requirements:*

(a) If a proposed use adjoins a parcel for which a bufferyard is required by the presence of a zoning district boundary, that use shall provide a bufferyard with the level of the opacity indicated in Table 78-610(4)(a).

(b) For each level of opacity listed in Table 78-610(4)(a), a wide variety of width, landscaping point, berm, and structure combinations are possible. These are listed in Table 78-610(4)(b). The requirements listed in Table 78-610(4)(b) pertain to the number of landscaping points, the minimum bufferyard width, and the type of berm or fencing required within every 100 feet of required bufferyard. A variety of landscaping point options are available and may be mixed within distinct portions of the same bufferyard. Section 78-603 describes the various available landscaping point alternatives. Section 78-611 provides a listing of tree and shrub species which correspond to the landscaping point descriptions.

(6) *Tables for required bufferyards:* See following pages for Tables 78-610(4)(a) and (b).

(a) *Notes for Table 78-610(4)(a).* For properties zoned in the rural holding district (RH), refer to the comprehensive plan's land use map to determine the proposed zoning district for said property. Bufferyard requirements shall be taken from this proposal.

From <https://library.municode.com/wi/stoughton/codes/code_of_ordinances?nodeId=MUCO_CH78ZO_ARTVILABURE_S78-610LAREBU>

Table 78-610(4)(a): Required Bufferyard Opacity Values

EXPAND	RH	ER-1	SR-3	SR-4	SR-5	SR-6	TR-6	MR-10	MR-24	NO	PO	PB	NB	CB	PI	GI	HI	I
Adjacent Property's Zoning District ↓																		
RH	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
ER-1			0	0	0	0	0	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.4	0.5	1.0	0.4
SR-3				0	0	0	0	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.4	0.5	1.0	0.4
SR-4					0	0	0	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.4	0.5	1.0	0.4
SR-5						0	0	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.4	0.5	1.0	0.4
SR-6							0	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.4	0.5	1.0	0.4
TR-6								0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.4	1.0	0.3
MR-10									0.2	0.1	0.1	0.2	0.2	0.2	0.2	0.3	0.1	0.2
MR-24										0.1	0.1	0.2	0.2	0.2	0.2	0.3	0.1	0.2
NO											0.1	0.2	0.2	0.2	0.2	0.3	0.6	0.1
PO												0.1	0.1	0.1	0.1	0.2	0.6	0.1
PB													0.1	0.1	0.1	0.2	0.6	0.1
NB														0.1	0.1	0.1	0.6	0.1
CB															0.1	0.1	0.6	0.3
PI																0.2	0.6	0.1
GI																	0.5	0.2
HI																		0.6
I																		

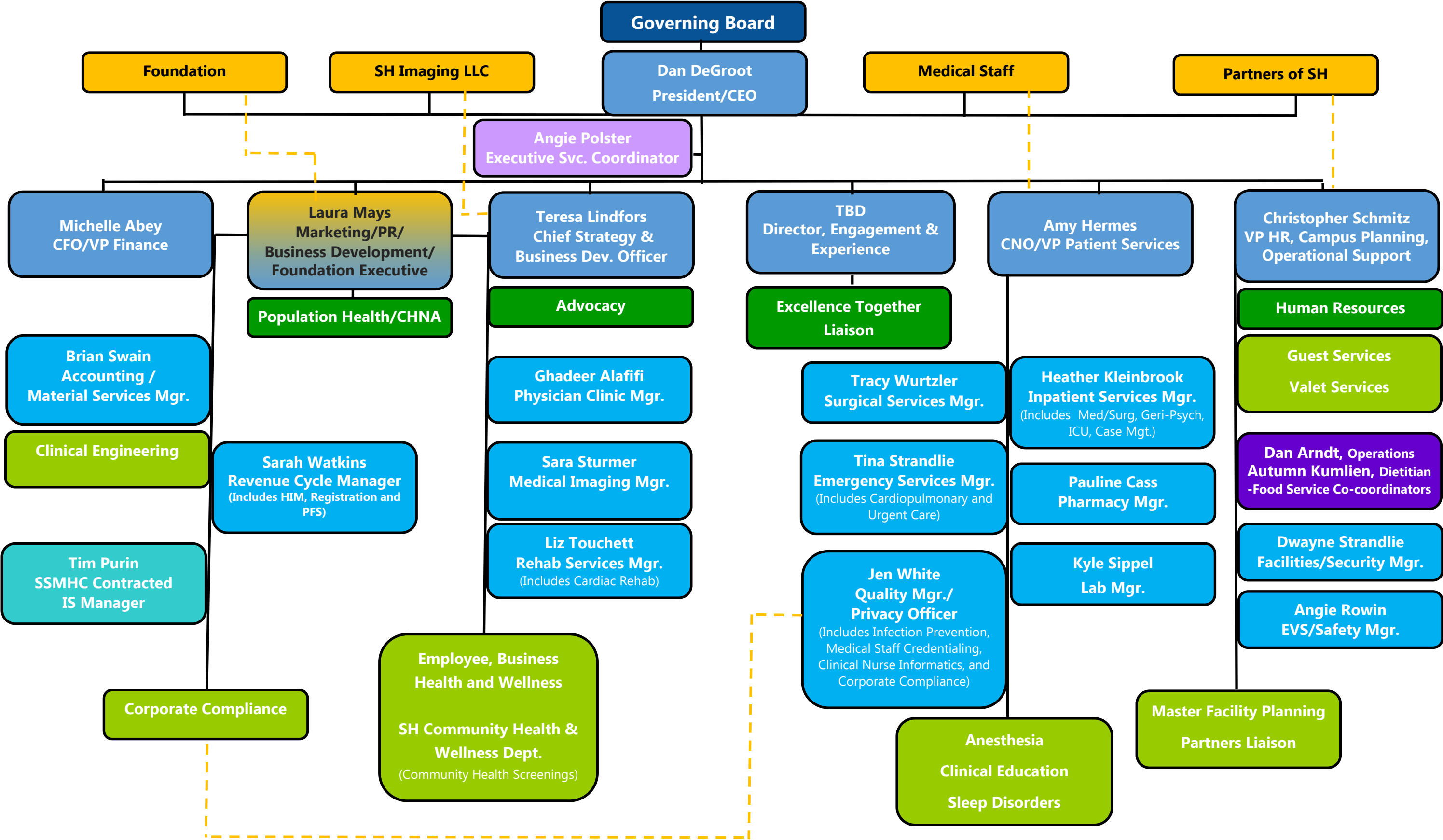
Opacity	# Landscaping Points/100 feet	Width	Required Structure
0.40	53	10'+	Minimum 6' solid fence*
	330	20'+	Minimum 44" picket fence*
	440	25'	—
	362	25'+	Minimum 4' wood rail fence*
	385	30'	—
	349	35'	—
	208	35'+	Minimum 4' berm
	327	40'	—
	148	40'+	Minimum 5' berm
	310	45'	—
	299	50'+	—
	56	50'+	Minimum 6' berm

From <https://library.municode.com/wi/stoughton/codes/code_of_ordinances?nodeId=MUCO_CH78ZO_ARTVILABURE_S78-610LAREBU>



Stoughton Health Organizational Chart

(Updated 12/01/21)



**STOUGHTON HEALTH
SERVICES AND FINANCIAL REPORTS**

January 31, 2022

**STOUGHTON HEALTH
FINANCIAL AND SERVICES REPORTS
January 31, 2022**

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Stoughton Health
January 2022 Operational Executive Summary

Situation: January operating income was \$947,093 which was more than the budget of \$283,683 by \$663,410. January excess of revenues over expenses is \$599,488, which is \$256,311 over the budget of \$343,177. Year-to-date operating income is \$3,299,991 which is better than budget by \$2,465,226 and year-to-date excess of revenues over expenses is \$3,473,782 which is \$2,413,452 better than budget.

Background:

Balance Sheet

- Days cash on hand was 421 days at the end of January (line 33 on pg 7) is over the budgeted days cash on hand of 376 and lower than days cash on hand at the end of December which was 425. The current level of days cash on hand is primarily driven from continuing to hold funds received from Medicare Accelerated Payments (PPS) in liquid accounts.
- The estimated third party payer settlements liability has increased by \$1,160,000 in the first four months of fiscal year 2022. This liability represents the estimated amount which Stoughton Health anticipates it's being overpaid on Medicare claims and potential amounts due upon cost report audit settlement. This liability fluctuates with changes in the payer mix and distribution of expenses.
- As previously predicted, the CMS Medicare Advance Payments started to be repaid last spring. In the month of January, this liability was reduced by \$228,352. To date, ~\$2.1M of the ~\$5.8M has been repaid.

Income Statement

- Inpatient volumes were lower than budget by (163) inpatient days or (38%) resulting in (\$232,781) less in gross charges than anticipated in the budget. Med/Surg (-94 days) and Geri-Psych (-121 days) ran lower than budget while Swing Bed and ICU were 26 days each ahead of budget for the month. Year-to-date through January, inpatient days have been lower than budget by (6) days, primarily the result of staffing challenges on Geri-Psych which have not allowed census be up to budgeted 8 days.
- Outpatient gross revenues were significantly ahead of budget for the month of January by approximately \$1.4M. The areas seeing the most significant gross revenue variances over budget were Medical imaging– specifically CT and MRI (~\$243,000), and Emergency Room including urgent care in Stoughton & McFarland (~\$406,000). Surgical services did 3 more procedures than budgeted which was approximately \$201,000 ahead of budget as a result of the additional procedures and mix of procedures which were performed.

Specialty	Jan 22	Budget Jan	% Change from Budget
Orthopedics	30	27	11%
Gynecology	0	0	0%
Urology	0	1	-100%
General	17	23	-26%
Ophthalmology (Phaco)	15	20	-25%
Podiatry	8	8	0%
Dental	12	18	-33%
Ear, Nose, Throat (ENT)	3	5	-40%
GI Endoscopy	53	33	61%
Total OR Procedures	138	135	2%

- Contribution revenue was significantly ahead of budget for the month due to the recording of the receivable from SHIP COVID Testing & Mitigation grant due to the completion and invoicing of the first reporting period. We invoiced ~\$125,000 of the \$258,000 grant that we have obtained.
- Purchased services (pg 8 line 15) was higher than budget by approximately (\$125,000) as a result of increased volumes in the medical imaging areas, thus increased purchased services expense of (~\$23,000). In addition, we are using more agency staff (medical/surgical, intensive care and emergency room) than budgeted for resulting in an additional (\$49,000) in expense than what was anticipated in the budget. Further, there were additional expenses in employee health related to COVID testing and marketing expenses which were anticipated to be in a different month.
- Supplies expense (pg 8 line 16) was higher than budget by approximately (\$186,000) which is the result of increased volumes creating additional pharmaceutical drug (~\$84,000), and implants from additional orthopedic cases over budget (~\$47,000).
- This month's mix resulted in a contractual discount percentage of 57.8% for the month vs a budgeted contractual discount of 60.5%, resulting in a net revenue increase from budget of approximately \$319,000.

Assessment:

Volumes in most areas continued to be strong for January resulting in gross patient revenues being approximately \$1.2M ahead of budget for the month. A significant contributor to January's operating income was the partial recognition of the SHIP COVID Testing & Mitigation grant.

The biggest challenge facing the organization continues to be how to recruit and retain staff in order to be able to handle the patient volumes we are presented with in many areas of the organization.

Recommendation:

1. Recruit and retain staff in order to serve the patients of our communities.
2. Continue to follow CDC recommendations for caring for COVID and Non-COVID patients in the safest possible manner. Promote vaccination including booster shots whenever and wherever possible.
3. Remain nimble to changing circumstances and recalibrate operations, including the evaluation of new and old programs, as needed to adjust course.
4. Resume master facility planning so that the organization is ready to move forward when it is prudent to do so.

**Stoughton Health
Executive Financial Summary
January 31, 2022**

Variance Key: Better than (worse than) budget

INCOME STATEMENT								
	Current Mo. January	Current Mo. Budget	Current Mo. Variance	YTD January	YTD Budget	YTD Variance	YTD Prior Year	
Line	REVENUE:							
	Patient service revenues:							
1	Inpatient	\$ 1,614,083	\$ 1,846,864	\$ (232,781)	\$ 8,160,182	\$ 7,124,675	\$ 1,035,507	\$ 6,977,912
2	Outpatient	10,392,446	9,002,138	1,390,308	42,662,460	35,558,995	7,103,465	31,400,122
3	Total gross patient service revenues	12,006,529	10,849,002	1,157,527	50,822,642	42,683,670	8,138,972	38,378,034
4	Deductions from revenue (incl bad debts)	(7,043,497)	(6,705,545)	(337,952)	(31,854,445)	(26,281,902)	(5,572,543)	(23,368,365)
5	Net patient service revenue	4,963,032	4,143,457	819,575	18,968,197	16,401,768	2,566,429	15,009,669
6	Other income	293,134	134,156	158,978	1,068,536	535,673	532,863	554,686
7	Total revenues	5,256,166	4,277,613	978,553	20,036,733	16,937,441	3,099,292	15,564,355
	EXPENSES:							
8	Salaries	1,523,339	1,523,466	127	6,266,441	6,286,120	19,679	5,878,500
9	Fringe benefits	491,301	464,942	(26,359)	1,512,128	1,604,550	92,422	1,528,690
10	Supplies and other	1,999,541	1,707,505	(292,036)	7,777,027	7,025,323	(751,704)	6,124,032
11	Interest	35,909	39,232	3,323	147,673	157,939	10,266	189,379
12	Depreciation and amortization	258,983	258,785	(198)	1,033,473	1,028,744	(4,729)	1,056,435
13	Total expenses	4,309,073	3,993,930	(315,143)	16,736,742	16,102,676	(634,066)	14,777,036
14	Operating income	947,093	283,683	663,410	3,299,991	834,765	2,465,226	787,319
15	Investment income	19,468	19,844	(376)	183,074	67,898	115,176	169,505
16	Unrealized gains (losses) on investments	(383,152)	24,707	(407,859)	(100,850)	98,829	(199,679)	595,475
17	Interest in earnings of MRI Joint Venture	16,079	14,943	1,136	91,567	58,838	32,729	58,838
18	Other non-operating	-	-	-	-	-	-	-
19	Excess of revenue over expenses	\$ 599,488	\$ 343,177	\$ 256,311	\$ 3,473,782	\$ 1,060,330	\$ 2,413,452	\$ 1,611,137
	BALANCE SHEET			CASH FLOWS				
		01/31/22	09/30/21			YTD January	09/30/21	
20	Cash & short-term investments	\$ 36,207,980	\$ 33,873,549					
21	A/R (net)	7,280,773	6,759,089					
22	Total current assets	45,078,833	41,950,841			Cash provided by (used in):		
23	Certificates of deposit	7,000,000	7,000,000			Operating activities	4,738,057	4,628,345
24	Investments	10,939,327	10,629,724			Investing activities:		
25	Property & equipment (net)	26,647,838	27,237,551			Fixed asset purchases & disposals	(453,636)	(1,503,805)
26	Other assets	9,378,358	9,543,572			Investments	(342,582)	767,988
27	Total assets	92,044,356	89,361,688			Financing activities:		
28	Current liabilities	11,576,715	10,858,317			Issuance of debt	-	-
29	Long-term debt	9,411,505	10,923,308			Payment of debt & related costs	(1,534,205)	(1,298,318)
30	Other long-term liabilities	433,397	431,106			Forgiveness of long-term debt	-	-
31	Total liabilities	21,421,617	22,212,731			Foundation & other	(73,203)	43,836
32	Net assets	70,622,739	67,148,957			Net cash increase (decrease)	2,334,431	2,638,046
33	Total liabilities & net assets	92,044,356	89,361,688			Cash, beginning	33,873,549	31,235,503
						Cash, ending	36,207,980	33,873,549
	RATIOS						FY22 Budget	2020 RWHC CAH Avg
		FY20	FY21	Nov-21	Dec-21	Jan-22		
34	Current Ratio	3.2	3.9	3.9	3.8	3.9	7.4	3.3
35	Operating Margin-Current Month			15.0%	20.2%	18.0%		
36	Operating Margin YTD	2.3%	5.1%	13.5%	15.9%	16.5%	5.4%	4.7%
37	Total Margin YTD	3.7%	22.7%	15.9%	19.1%	17.1%	6.9%	7.1%
38	Days in Accounts Receivable (net)	40	53	48	45	47	43	48
39	Days in Accounts Receivable (gross)	43	52	45	42	46		
40	Days Cash & Investments on Hand	446	431	408	425	421	376	309
41	Long-term Debt to Equity	0.29	0.16	0.14	0.14	0.13	0.12	0.36
42	Debt Service Coverage (YTD) >1.25	2.6	9.2	6.7	8.1	7.5	4.5	5.3
	STATISTICS						YTD January	FY22 Budget
		FY20	FY21	Nov-21	Dec-21	Jan-22		
43	Inpatient Days	4,053	3,658	382	369	266	1,390	4,308
44	Adjusted Patient Days (APD)	18,121	24,148	2,138	2,242	1,979	8,657	31,219
45	Net revenue per APD	\$2,314	\$1,938	\$2,287	\$2,160	\$2,508	\$2,191	\$1,585
46	FTE's	221.9	227.2	242.3	241.7	233.4	238.3	241.0
47	FTE's per Adjusted Occupied Bed	4.5	3.3	3.4	3.3	3.7	3.4	3.3
48	Avg # of payroll checks per pay period	327	311	318	326	315	316	
49	Salaries per APD	\$935	\$761	\$740	\$733	\$770	\$724	\$607
50	Benefits per APD	\$269	\$179	\$202	\$96	\$248	\$175	\$158
51	Other Expenses per APD	\$1,131	\$959	\$1,047	\$1,051	\$1,141	\$1,018	\$778

**STOUGHTON HEALTH
SERVICES SUMMARY
for the four months ended January 31, 2022**

INPATIENT SERVICES

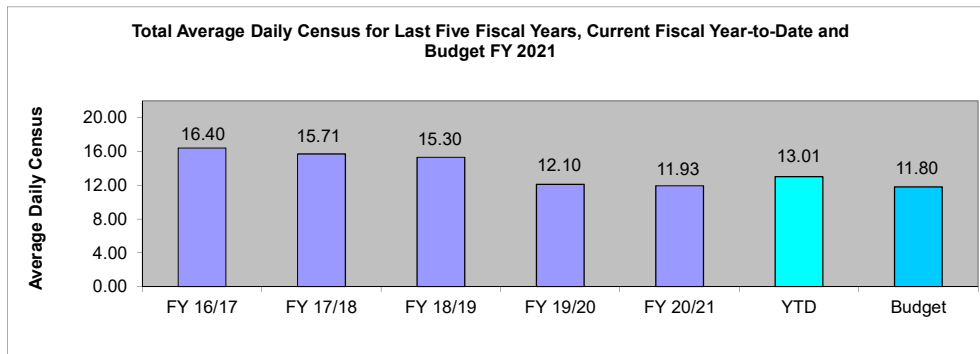
In January, inpatient admissions (including observation patients) averaged 2.52 admissions per day which was below budget by (1.54) admissions per day or (37.9%). Year-to-date inpatient admissions are (0.55) admissions per day or (14.7%) below prior year.

16-17	17-18	18-19	19-20	20-21		THIS MONTH	YEAR-TO-DATE	BUDGET	
1.45	1.30	1.12	1.22	1.15	Medical	0.84	1.07	1.09	
0.47	0.54	0.45	0.37	0.29	Surgical	0.29	0.36	0.26	
0.12	0.07	0.18	0.10	0.11	Detoxification	-	0.03	0.10	
0.63	0.75	1.67	1.40	1.77	Observation	0.90	1.24	2.08	0.37
0.19	0.13	0.13	0.07	0.06	Swing Bed	0.10	0.03	0.07	1.03
0.16	0.09	0.10	0.08	0.08	Intensive Care	0.16	0.16	0.05	
0.42	0.44	0.36	0.28	0.27	Geriatric Psychiatric	0.23	0.29	0.41	
3.44	3.32	4.01	3.52	3.73	Average Admissions per day	2.52	3.18	4.06	

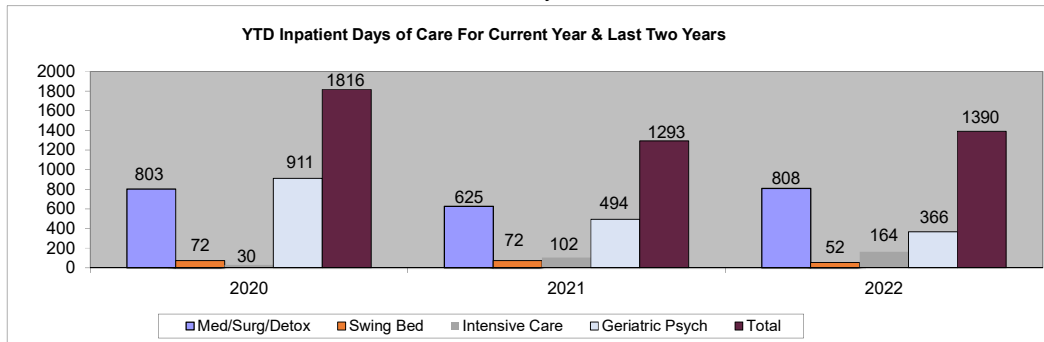
The overall average daily census in January was 9.74 which is below the budgeted average daily census of 11.80 and below the prior year average daily census of 11.93. Inpatient Average Daily Census numbers for the past thirteen months, year-to-date for Fiscal 2022, budget and prior year averages are shown in the following chart:

	JAN 2021	FEB 2021	MAR 2021	APR 2021	MAY 2021	JUN 2021	JUL 2021	AUG 2021	SEP 2021	OCT 2021	NOV 2021	DEC 2021	JAN 2022	CURRENT FISCAL 2022 BUDGET	PRIOR FISCAL YR	
Medical / Surgical Unit	6.10	3.21	3.87	5.43	3.45	8.17	3.94	6.61	6.67	6.61	8.27	7.90	3.55	6.57	2.95	4.74
Observation	0.95	1.87	1.74	2.36	1.55	2.57	2.62	2.71	1.47	2.26	1.78	1.64	1.16	1.71	1.90	1.91
Swing Bed	1.00	1.11	0.48	0.17	0.00	1.10	0.29	0.48	0.77	0.00	0.29	0.29	1.39	0.42	0.55	0.56
Intensive Care Unit	0.00	0.21	0.00	0.27	0.06	0.10	0.16	0.16	1.20	1.71	1.47	1.13	1.03	1.33	0.27	0.45
Geriatric Psychiatry Unit	4.29	3.71	3.74	4.87	3.39	3.97	4.71	5.77	4.97	3.71	3.00	2.58	2.61	2.98	6.13	4.27
	12.34	10.11	9.83	13.10	8.45	15.91	11.72	15.73	15.08	14.29	14.52	13.54	9.74	13.01	11.80	11.93

Inpatient average daily census numbers for the past five fiscal years, year-to-date for Fiscal 2022, and budget are shown in the following graph:



Additional inpatient service volume statistics for the four months ended January 31, 2020, 2021 and 2022 are as follows:



**STOUGHTON HEALTH
SERVICES SUMMARY
for the four months ended January 31, 2022**

INPATIENT SERVICES - CONTINUED

					Discharge Length of Stay			
16-17	17-18	18-19	19-20	20-21		THIS MONTH	YEAR- TO-DATE	BUDGET
2.67	3.41	2.77	2.88	2.28	Medical	1.96	3.55	2.28
2.86	2.68	2.54	1.68	0.29	Surgical	-	0.54	0.29
5.42	6.47	9.28	9.12	9.59	Swing Bed	21.00	15.00	9.45
7.00	5.85	2.50	2.73	9.64	Intensive Care	6.33	2.88	7.36
2.63	3.18	2.48	2.22	2.94	Detoxification	-	2.25	2.95
2.36	2.27	3.47	4.09	3.38	Hospice Acute	5.00	5.00	3.36
19.57	16.86	11.46	13.28	12.31	Geriatric Psychiatric	8.83	9.29	12.33
5.40	5.81	4.35	4.29	3.84		3.19	3.82	4.22

OUTPATIENT SERVICES

Outpatient/Emergency services averaged 151.03 visits per day in January which was (0.79) visits per day or (0.5%) below budget for the month. Year-to-date Outpatient/Emergency services is 29.95 visits or 22.9% above the prior year average visits per day of 130.69.

16-17	17-18	18-19	19-20	20-21		THIS MONTH	YEAR- TO-DATE	BUDGET
13.73	13.52	13.61	13.36	14.57	Emergency Department	14.97	16.38	13.53
37.17	35.44	41.67	37.02	34.06	Urgent Care - Stoughton	45.97	50.24	41.67
9.62	8.67	8.11	6.47	6.30	Urgent Care - Oregon	6.55	7.86	8.11
-	-	-	-	2.11	Urgent Care - McFarland	12.45	10.31	14.40
3.92	3.03	2.76	2.95	3.20	Ambulatory Infusion	3.16	3.13	2.73
3.75	3.87	3.71	3.12	3.72	Surgical	4.23	4.02	3.58
0.71	0.98	1.02	0.68	1.04	Sleep Lab	0.58	0.69	1.16
29.01	28.56	29.67	23.79	30.60	PT - SWAC/Hosp Rehab	30.16	31.86	30.41
20.34	20.49	20.94	15.42	19.82	PT - Oregon	18.06	19.98	19.73
11.23	12.30	13.25	9.48	15.27	Rehabilitation - Other	14.90	16.17	16.50
129.48	126.86	134.74	112.29	130.69	Average Visits per day	151.03	160.64	151.82

DIAGNOSTIC SERVICES

Diagnostic services (laboratory & medical imaging areas) averaged 270.79 service units per day in January which was 23.78 units or 9.6% above budget. Year-to-date diagnostic services are 34.09 service units per day or 13.8% above last year's average.

16-17	17-18	18-19	19-20	20-21		THIS MONTH	YEAR- TO-DATE	BUDGET
181.81	199.67	189.28	176.31	192.08	Lab including reference lab	204.55	213.99	195.68
23.24	23.17	21.55	20.53	20.57	Medical Imaging	30.26	23.93	18.40
3.79	4.98	6.12	5.73	8.16	Mammography	8.06	10.03	7.83
8.48	9.09	10.64	11.01	11.62	CT	11.97	13.77	10.97
1.17	1.42	1.82	1.42	2.96	Echocardiogram	4.52	5.02	2.24
5.77	5.76	5.94	4.88	5.92	Ultrasound	5.65	7.99	5.23
0.81	0.98	0.80	0.61	0.94	Nuclear Medicine	1.52	1.50	0.78
3.07	3.68	3.76	4.04	4.87	MRI	4.26	4.98	5.88
228.14	248.75	239.91	224.53	247.12	Average Service Units per Day	270.79	281.21	247.01

**STOUGHTON HEALTH
SERVICES SUMMARY
for the four months ended January 31, 2022**

GENERAL SURGERY SERVICES

In January, the General Surgery clinic had a total of 125 visits for the month which was (35.00) visits or (21.9%) below the prior month and below budget by (161.00) visits or (56.3%).

FY 2017	FY 2018	FY 2019	FY 2020	FY 2021		THIS MONTH ACTUAL	THIS MONTH BUDGET	LAST MONTH ACTUAL	YEAR- TO-DATE ACTUAL	YEAR- TO-DATE BUDGET
872	926	1,191	1,081	1,001	General Surgery Clinic Visits - Traditional	84	200	99	380	680
0	0	0	15	41	General Surgery Clinic Visits - Virtual	2	0	6	14	0
255	386	918	879	701	Wound Clinic Visits	39	86	55	220	349
1,127	1,312	2,109	1,975	1,743	Total Clinic Visits	125	286	160	614	1,029

Dr. Aaron Schwaab, General Surgeon, had 17 surgical cases in January. Inpatient cases were 3 case or 300.0% above budget for the month and outpatient cases were below budget by (12) cases or (48.0%).

FY 2017	FY 2018	FY 2019	FY 2020	FY 2021		THIS MONTH ACTUAL	THIS MONTH BUDGET	LAST MONTH ACTUAL	YEAR- TO-DATE ACTUAL	YEAR- TO-DATE BUDGET
49	23	30	26	24	Inpatient Surgical Cases	4	1	1	13	6
191	234	247	212	218	Outpatient Surgical Cases	13	25	22	72	85
240	257	277	238	242	Total Surgical Cases	17	26	23	85	91

ORTHOPEDIC SERVICES

During the month of January, the OrthoTeam Clinic (Stoughton and Madison) had 321 visits and averaged 15.3 visits per clinic day. January visits were equal to budget.

FY 2017	FY 2018	FY 2019	FY 2020	FY 2021		THIS MONTH ACTUAL	THIS MONTH BUDGET	LAST MONTH ACTUAL	YEAR- TO-DATE ACTUAL	YEAR- TO-DATE BUDGET
2,122	2,453	2,497	3,002	1,489	OrthoTeam Clinic Visits - Traditional	291	321	218	940	1,259
0	0	0	261	106	OrthoTeam Clinic Visits - Virtual	30	0	12	96	0
2,122	2,453	2,497	3,263	1,595	Total OrthoTeam Visits	321	321	230	1,036	1,259

OrthoTeam had 32 surgical cases in January. Inpatient cases were below budget by (3) cases or (50.0%) for January. Outpatient cases were above budget by 7 cases or 31.8% for the month of January.

FY 2017	FY 2018	FY 2019	FY 2020	FY 2021		THIS MONTH ACTUAL	THIS MONTH BUDGET	LAST MONTH ACTUAL	YEAR- TO-DATE ACTUAL	YEAR- TO-DATE BUDGET	YEAR- TO-DATE Variance
136	151	151	152	45	Inpatient Surgical Cases	3	6	5	16	25	(9)
42	46	116	109	197	Outpatient Surgical Cases	29	22	22	88	86	2
178	197	267	261	242	Total Surgical Cases	32	28	27	104	111	(7)

CARDIOLOGY SERVICES

The Cardiology Clinic opened in July 2021. It had 38 total visits in the month of January.

STOUGHTON HEALTH
BALANCE SHEET
January 31, 2022

Line	ASSETS	1/31/2022	Audited 9/30/2021
	Current Assets		
1	Cash and cash equivalents	\$ 36,207,980	\$ 33,873,549
2	Patient accounts receivable, net of allowances	7,280,773	6,759,089
3	Supplies	528,484	536,876
4	Other current assets	1,061,596	781,327
5	Total current assets	45,078,833	41,950,841
	Assets Limited as to Use		
6	Certificates of deposit	7,000,000	7,000,000
7	Board designated and other	10,939,327	10,629,724
		<u>17,939,327</u>	<u>17,629,724</u>
8	Property and equipment	63,285,031	62,869,570
9	Less accumulated depreciation	(36,637,193)	(35,632,019)
10	Net property and equipment	<u>26,647,838</u>	<u>27,237,551</u>
	Other Assets		
11	Interest in net assets of Stoughton Hospital Foundation Inc.	1,362,830	1,374,175
12	Other non-current assets	4,564	-
13	Investment in Stoughton Hospital Imaging LLC	1,010,964	1,169,397
14	Total assets	\$ 92,044,356	\$ 89,361,688

LIABILITIES AND NET ASSETS

	Current Liabilities		
15	Current portion of long-term debt	\$ 1,304,149	\$ 1,317,080
16	Accounts payable	1,323,845	1,105,863
17	Accrued salaries and related withholdings	840,155	1,061,195
18	Accrued vacation compensation	1,276,307	1,193,641
19	Accrued interest	33,541	37,109
20	Other current liabilities	95,303	102,881
21	Refundable advance - COVID Provider Relief Funds	407,331	-
22	CMS advance payments, current portion	3,686,084	4,590,548
23	Estimated third-party payor settlements	2,610,000	1,450,000
24	Total current liabilities	11,576,715	10,858,317
25	Deferred compensation liability	433,397	431,106
26	Long-term debt, net of current portion	9,411,505	10,923,308
27	Total liabilities	21,421,617	22,212,731
	Net Assets		
28	Without donor restrictions	69,095,127	65,621,345
29	With donor restrictions	1,527,612	1,527,612
30	Total net assets	70,622,739	67,148,957
31	Total liabilities and net assets	\$ 92,044,356	\$ 89,361,688

	Budget			
32	Days revenue in accounts receivable	43	47	53
33	Days cash on hand, all unrestricted sources	376	421	431
34	Current Ratio	7.4	3.9	3.9
35	Age of Plant	13.1	11.8	11.3

**STOUGHTON HEALTH
INCOME STATEMENT
For the four month ended January 31, 2022**

Variance Key: Better than (worse than) budget

Line	Current Month			Year to Date			Projected Year-end FY 2022	Year to Date LAST YEAR	
	January	Budget	Variance	TOTALS	Budget	Variance			
REVENUES									
Patient service revenue:									
1	Inpatient	\$ 1,614,083	\$ 1,846,864	\$ (232,781)	\$ 8,160,182	\$ 7,124,675	\$ 1,035,507	\$ 21,777,507	\$ 6,977,912
2	Outpatient	10,392,446	9,002,138	1,390,308	42,662,460	35,558,995	7,103,465	115,933,465	31,400,122
3	Gross patient charges	12,006,529	10,849,002	1,157,527	50,822,642	42,683,670	8,138,972	137,710,972	38,378,034
4	Contractual discounts and allowances	(6,940,653)	(6,559,832)	(380,821)	(31,312,877)	(25,708,615)	(5,604,262)	(83,949,262)	(22,957,263)
5	Charity care	(27,844)	(29,748)	1,904	(107,568)	(117,039)	9,471	(345,529)	(91,102)
6	Provision for bad debts	(75,000)	(115,965)	40,965	(434,000)	(456,248)	22,248	(1,362,752)	(320,000)
7	Patient service revenue	4,963,032	4,143,457	819,575	18,968,197	16,401,768	2,566,429	52,053,429	15,009,669
8	Other operating revenue	83,722	61,932	21,790	310,544	245,165	65,379	846,379	257,422
9	Contributions	131,958	3	131,955	464,641	11	464,630	480,630	-
10	Rental income	77,454	72,221	5,233	293,351	290,497	2,854	840,854	297,264
11	TOTAL REVENUES	5,256,166	4,277,613	978,553	20,036,733	16,937,441	3,099,292	54,221,292	15,564,355
12	Salaries	1,523,339	1,523,466	127	6,266,441	6,286,120	19,679	23,881,321	5,878,500
13	Employee benefits	491,301	464,942	(26,359)	1,512,128	1,604,550	92,422	(92,422)	1,528,690
14	Professional fees	492,491	526,423	33,932	2,063,932	2,112,439	48,507	6,201,493	1,773,305
15	Purchased services	640,112	515,363	(124,749)	2,408,907	1,965,192	(443,715)	6,626,715	1,813,212
16	Supplies	661,815	476,251	(185,564)	2,536,544	2,187,222	(349,322)	6,694,322	1,848,689
17	Interest	35,909	39,232	3,323	147,673	157,939	10,266	440,734	189,379
18	Administrative and general	187,629	170,163	(17,466)	696,951	683,249	(13,702)	2,220,702	628,748
19	Insurance	17,494	19,305	1,811	70,693	77,221	6,528	227,472	60,078
20	Depreciation and amortization	258,983	258,785	(198)	1,033,473	1,028,744	(4,729)	3,084,729	1,056,435
21	Total expenses	4,309,073	3,993,930	(315,143)	16,736,742	16,102,676	(634,066)	49,285,066	14,777,036
22	Operating income (loss)	947,093	283,683	663,410	3,299,991	834,765	2,465,226	4,936,226	787,319
Other income (loss):									
23	Investment income (loss) - realized	19,468	19,844	(376)	183,074	67,898	115,176	353,176	169,505
24	Unrealized gains (losses) on investments	(383,152)	24,707	(407,859)	(100,850)	98,829	(199,679)	96,321	595,475
25	Earnings (loss) in Sto Hosp Imaging	16,079	14,943	1,136	91,567	58,838	32,729	261,729	58,838
26	Other gains (losses)	-	-	-	-	-	-	-	-
27	Forgiveness of Refundable Advance - PRF	-	-	-	-	-	-	-	-
28	Forgiveness of Paycheck Protection Program Loan	-	-	-	-	-	-	-	-
29	Excess of revenues over expenses	\$ 599,488	\$ 343,177	\$ 256,311	\$ 3,473,782	\$ 1,060,330	\$ 2,413,452	\$ 5,647,452	\$ 1,611,137
30	<i>Operating Margin</i>	<i>18.0%</i>	<i>6.6%</i>		<i>16.5%</i>	<i>4.9%</i>		<i>9.1%</i>	<i>5.1%</i>
31	<i>Total Margin</i>	<i>11.3%</i>	<i>8.0%</i>		<i>17.1%</i>	<i>6.2%</i>		<i>10.3%</i>	<i>10.2%</i>
32	<i>Adjusted Patient Days</i>	<i>1,979</i>	<i>2,614</i>		<i>8,657</i>	<i>10,284</i>		<i>25,674</i>	<i>7,122</i>
33	<i>Net revenue per APD</i>	<i>\$ 2,508</i>	<i>\$ 1,585</i>		<i>\$ 2,191</i>	<i>\$ 1,595</i>		<i>\$ 2,027</i>	<i>\$ 2,107</i>
34	<i>Salaries per APD</i>	<i>\$ 770</i>	<i>\$ 583</i>		<i>\$ 724</i>	<i>\$ 611</i>		<i>\$ 930</i>	<i>\$ 825</i>
35	<i>Benefits per APD</i>	<i>\$ 248</i>	<i>\$ 178</i>		<i>\$ 175</i>	<i>\$ 156</i>		<i>\$ (4)</i>	<i>\$ 215</i>
36	<i>Supplies per APD</i>	<i>\$ 334</i>	<i>\$ 182</i>		<i>\$ 293</i>	<i>\$ 213</i>		<i>\$ 261</i>	<i>\$ 260</i>

STOUGHTON HEALTH
STATEMENT OF CHANGES IN NET ASSETS
For the four month ended January 31, 2022

	<u>1/31/22</u>	<u>Audited 9/30/21</u>
Unrestricted net assets:		
Excess (deficit) of revenues over expenses	3,473,782	13,406,181
Net assets released from restrictions	-	65,901
Contributions and grants for purchases of property and equipment	-	148,521
Increase (decrease) in unrestricted net assets	<u>3,473,782</u>	<u>13,620,603</u>
Temporarily restricted net assets:		
Restricted contributions	-	46,291
Change in interest in net assets of the Foundation	-	90,707
Net assets released from restrictions	-	(65,901)
Increase (decrease) in temporarily restricted net assets	<u>-</u>	<u>71,097</u>
Increase (decrease) in net assets	3,473,782	13,691,700
Net assets, beginning	<u>67,148,957</u>	<u>53,457,257</u>
Net assets, ending	<u><u>70,622,739</u></u>	<u><u>67,148,957</u></u>

STOUGHTON HEALTH
STATEMENT OF CASH FLOWS
For the four month ended January 31, 2022

	Current Month	YTD January	Audited 9/30/2021
Cash Flows From Operating Activities			
Increase (decrease) in net assets	\$ 599,463	\$ 3,473,782	\$ 13,691,700
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:			
Change in interest in net assets of Stoughton Hospital Foundation Inc.	-	-	(90,707)
Depreciation and amortization	258,983	1,033,473	3,150,926
Amortization of debt issuance costs	2,368	9,471	30,501
Net realized and unrealized gains and losses on investments	381,935	32,979	(1,307,892)
Forgiveness of Paycheck Protection Program Loan	-	-	(4,064,937)
Loss (gain) on disposal of property and equipment	-	9,876	(14,684)
Change in investment in Stoughton Hospital Imaging, LLC	(16,079)	(91,567)	(265,082)
Distribution from Stoughton Hospital Imaging, LLC	-	250,000	200,000
Contributions and grants for property and equipment	-	-	(194,812)
Increase (decrease) from changes in:			
Patient accounts receivable, net	(437,626)	(521,684)	(2,143,837)
Supplies	21,830	8,392	157,584
Estimated third-party payor settlements	73,000	1,160,000	1,575,000
Other current assets	(183,763)	(284,833)	(107,491)
Refundable advance - provider relief funds (forgiven)	-	407,331	(5,023,434)
CMS advanced payments	(228,352)	(904,464)	(1,237,502)
Accounts payable, accrued expenses and other current liabilities	213,056	155,301	273,012
Net cash provided by (used in) operating activities	684,815	4,738,057	4,628,345
Cash Flows From Investing Activities			
Acquisition of property and equipment	(368,568)	(453,636)	(1,561,623)
Proceeds from disposal of property and equipment	-	-	57,818
Maturities/(Purchases) of certificates of deposit	-	-	-
Purchases of assets limited as to use	(2,328,664)	(4,033,972)	(11,603,172)
Sales/Proceeds from maturities of assets limited as to use	2,335,588	3,691,390	12,371,160
Net cash provided by (used in) investing activities	(361,644)	(796,218)	(735,817)
Cash Flows From Financing Activities			
Proceeds from issuance of new debt	-	-	-
Payment of debt issuance costs	-	-	-
Payment of accounts payable for equipment and financing costs	-	(84,548)	(150,976)
Repayment of long-term debt	(113,045)	(1,534,205)	(1,298,318)
Restricted contributions and grants	-	11,345	194,812
Net cash provided by (used in) financing activities	(113,045)	(1,607,408)	(1,254,482)
Net increase (decrease) in cash	210,126	2,334,431	2,638,046
Cash, beginning	35,997,854	33,873,549	31,235,503
Cash, ending	\$ 36,207,980	\$ 36,207,980	\$ 33,873,549

memo

STOUGHTON HEALTH

To: Executive Committee of the Governing Board

From: Dan DeGroot, CEO
Michelle Abey, CFO

Date: February 22, 2022

Re: Annual Review of Conflict of Interest Statements

Best practice for non-profits is to have its Governing Board members and other key officers and employees complete conflict of interest questionnaires annually to ensure that any conflicts are duly noted and taken into consideration when making decisions throughout the year. This year's questionnaire process was completed for the Governing Board in January 2022 – questionnaires were completed by members of the Governing Board and returned to Angie Polster, Executive Assistant, using HelloSign (electronic signature platform).

On February 22, 2022, Dan DeGroot, CEO and Michelle Abey, CFO, reviewed the responses of the questionnaires and noted the following:

- 1) Dr. Ashish Rawal noted that he is an employed physician of Stoughton Health. Dr. Rawal should abstain from any voting or decisions related to his physician compensation or credentialing by the Governing Board.
- 2) Dr. Aaron Schwaab is also an employed physician of Stoughton Health. Dr. Schwaab should abstain from any voting or decisions related to his physician compensation or credentialing by the Governing Board.
- 3) Ms. Margo Francisco noted inter-organizational service agreements between SSM and Stoughton Health. Ms. Francisco should abstain from any voting or decisions related to SSM service agreements.
- 4) In previous years, Kris Krentz noted that he is an officer for Skaalen Retirement Services which refers patients to/from Stoughton Hospital and purchases some laboratory services from the hospital. Mr. Krentz should abstain from any voting or decisions related to that entity by the Governing Board.

These responses are in the normal course of business and not deemed significant nor prohibitive to either of these members completing their duties as members of the Governing Board.



January 26, 2022

To the Board of Directors
Stoughton Hospital Association
d/b/a Stoughton Health
Stoughton, Wisconsin

We have audited the financial statements of Stoughton Hospital Association d/b/a Stoughton Health (Hospital) as of and for the year ended September 30, 2021, and have issued our report thereon dated January 26, 2022. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit under *Government Auditing Standards*

As communicated in our engagement letter dated August 23, 2021, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of Stoughton Health solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Hospital is included in Note 1 to the financial statements. As described in Note 2, the Hospital adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* using the full retrospective approach, with certain practical expedients. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Estimate of Implicit and Explicit Price Concessions on Patient Revenue and Receivables (prior to FASB ASC 606 implementation referred to as Allowance for Contractual Discounts, Charity Care, and Doubtful Accounts) – Management's estimate of the allowance for explicit and implicit price concessions from contractual discounts, charity care, and doubtful accounts is based on historical loss levels and an analysis of the collectability of individual accounts or portfolios of accounts based on the applicable insurance payor, service type, and location.

Estimated Third-Party Payor Settlements / Variable Consideration for Revenues from Third-Party Payor Contracts – Management's estimate of the amounts either owed to or receivable from third-party payors is based on both final and tentatively settled cost reports. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. There is a reasonable possibility that recorded estimates will change by a material amount in the near term. Management believes that the estimates for all open years are adequate. Any differences between the estimates and the final settlements will be recorded in the period the final settlements are made and will not be treated as prior period adjustments. Any differences between the estimates and the final settlements or other adjustments have been recorded in the period the final settlements or other adjustments are made and are disclosed in the financial statements.

Provider Relief Funds – Amounts received from the Coronavirus Aid, Relief, and Economic Security (CARES) Act Provider Relief Fund are subject to terms and conditions imposed by the Department of Health and Human Services (HHS), which state 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 the 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. Management’s estimate of the funds recognized as revenue is based on estimates associated with such terms and conditions and the terms and conditions are subject to interpretation and potential future guidance. Management utilized estimates in calculating lost revenue, as defined currently by HHS, attributable to coronavirus.

We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements relate to:

Paycheck Protection Program (Note 1) – The Hospital received funds under the Paycheck Protection Program administered by the Small Business Administration. Note 1 discusses the amount received and forgiven during fiscal years 2021 and 2020.

Medicare Advanced Payments (Note 4) – The Hospital received Medicare advanced payments from the Center for Medicare & Medicaid Services (CMS). Note 4 includes details regarding the payments received from CMS, amounts recorded by the Hospital in the financial statements, and the recoupment process by CMS.

Long-Term Debt (Note 11) – The disclosure of the Hospital’s long-term debt mentions required debt covenants, which could present risks to the Hospital if the covenants are not met.

Provider Relief Funds (Note 16) – The Hospital received relief funds administered by HHS as part of the CARES Act. Note 16 includes details regarding the related amounts recognized by the Hospital in the financial statements.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. There were no corrected or uncorrected misstatements identified during the audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management that are included in the management representation letter dated January 26, 2022.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Hospital, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Stoughton Health's auditors.

Accounting Standards Update

Leases

In February 2016, the FASB issued Accounting Standard Update (ASU) No. 2016-02, *Leases* (Topic 842), which requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for most leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of the expense recognition in the statement of operations. The effective date for this standard has been delayed to annual reporting periods beginning after December 15, 2021. The standard is effective for Stoughton Health's fiscal year ended September 30, 2023.

Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. It also requires a not-for-profit to disclose:

- a) Contributed nonfinancial assets recognized within the statement of operations disaggregated by category that depicts the type of contributed nonfinancial assets; and
- b) For each category of contributed nonfinancial assets recognized (as identified in (a)):

1. Qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period. If utilized, a description of the programs or other activities in which those assets were used.
2. The not-for-profit's policy (if any) about monetizing rather than utilizing contributed nonfinancial assets.
3. A description of any donor-imposed restrictions associated with the contributed nonfinancial assets.
4. The valuation techniques and inputs used to arrive at a fair value measure, in accordance with the requirements in Topic 820, Fair Value Measurement, at initial recognition.
5. The principal market (or most advantageous market) used to arrive at a fair value measure if it is a market in which the recipient not-for-profit is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets.

The guidance is effective for Stoughton Health beginning October 1, 2021.

* * * * *

This information is intended solely for the use of the Board of Directors and management of Stoughton Health and is not intended to be, and should not be, used by anyone other than these specified parties.

Eide Bailly LLP

Dubuque, Iowa



Financial Statements
September 30, 2021 and 2020



Creating Excellence Together

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Independent Auditor's Report

The Board of Directors
Stoughton Hospital Association
d/b/a Stoughton Health
Stoughton, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of Stoughton Hospital Association, d/b/a Stoughton Health (Hospital), which comprise the balance sheets as of September 30, 2021 and 2020, and the related statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Hospital'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 Hospital's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stoughton Health as of September 30, 2021 and 2020, and the results of its operations, changes in net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Eide Sully LLP

Dubuque, Iowa
January 26, 2022

Stoughton Health
Balance Sheets
September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 33,873,549	\$ 31,235,503
Patient receivables	6,759,089	4,615,252
Estimated third-party payor settlements	-	125,000
Supplies	536,876	694,460
Other current assets	<u>781,327</u>	<u>673,836</u>
Total current assets	<u>41,950,841</u>	<u>37,344,051</u>
Assets Limited as to Use		
Board designated for capital improvements and deferred compensation	<u>17,629,724</u>	<u>17,089,820</u>
Property and Equipment, Net	<u>27,237,551</u>	<u>28,785,440</u>
Other Assets		
Interest in net assets of the Stoughton Hospital Foundation	1,374,175	1,283,468
Investment in Stoughton Hospital Imaging, LLC	<u>1,169,397</u>	<u>1,104,315</u>
Total other assets	<u>2,543,572</u>	<u>2,387,783</u>
Total assets	<u>\$ 89,361,688</u>	<u>\$ 85,607,094</u>

Stoughton Health
Balance Sheets
September 30, 2021 and 2020

	2021	2020
Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt	\$ 1,317,080	\$ 1,267,816
Paycheck Protection Program loan, current portion	-	889,526
Accounts payable	1,105,863	1,146,720
Estimated third-party payor settlements	1,450,000	-
Accrued salaries and related withholdings	1,061,195	908,087
Accrued vacation	1,193,641	1,214,708
Accrued interest	37,109	59,042
Other current liabilities	102,881	96,699
Refundable advance - Provider Relief funds	-	5,023,434
Contract liability - advanced payments, current portion	4,590,548	1,211,459
Total current liabilities	10,858,317	11,817,491
Deferred Compensation	431,106	350,330
Long-Term Debt, Net of Current Maturities and Unamortized Debt Issuance Costs of \$136,319 in 2021 and \$166,820 in 2020	10,923,308	12,240,389
Paycheck Protection Program Loan, Net of Current Portion	-	3,125,036
Contract Liability - Advanced Payments, Net of Current Portion	-	4,616,591
Total liabilities	22,212,731	32,149,837
Net Assets		
Without donor restrictions	65,621,345	52,000,742
With donor restrictions	1,527,612	1,456,515
Total net assets	67,148,957	53,457,257
Total liabilities and net assets	\$ 89,361,688	\$ 85,607,094

Stoughton Health
 Statements of Operations
 Years Ended September 30, 2021 and 2020

	2021	2020
Revenues, Gains, and Other Support Without Donor Restrictions		
Patient service revenue	\$ 46,787,079	\$ 41,935,745
Other revenue	1,760,575	1,683,457
Contributions and grants	457,470	392,272
Total revenues, gains, and other support	49,005,124	44,011,474
Expenses		
Salaries and wages	18,428,717	17,003,597
Employee benefits	4,329,514	4,875,150
Supplies and other expenses	20,058,872	17,292,899
Depreciation	3,150,926	3,255,757
Interest and amortization	538,199	577,030
Total expenses	46,506,228	43,004,433
Operating Income	2,498,896	1,007,041
Other Income		
Investment income - realized	757,568	394,278
Investment income - unrealized	796,264	316,905
Earnings on Investment in Stoughton Hospital Imaging, LLC	265,082	167,314
Loss on disposal of property	-	(247,005)
Paycheck Protection Program loan forgiveness	4,064,937	-
Provider Relief funds	5,023,434	-
Total other income, net	10,907,285	631,492
Revenues in Excess of Expenses	\$ 13,406,181	\$ 1,638,533

Stoughton Health
 Statements of Changes in Net Assets
 Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Net Assets Without Donor Restrictions		
Revenues in excess of expenses	\$ 13,406,181	\$ 1,638,533
Contributions for and of long-lived assets	148,521	244,535
Net assets released from restrictions used for capital purchases	<u>65,901</u>	<u>117,410</u>
Change in net assets without donor restrictions	<u>13,620,603</u>	<u>2,000,478</u>
Net Assets With Donor Restrictions		
Restricted contributions	46,291	65,791
Change in interest in net assets of the Foundation	90,707	(125,545)
Net assets released from restrictions	<u>(65,901)</u>	<u>(117,410)</u>
Change in net assets with donor restrictions	<u>71,097</u>	<u>(177,164)</u>
Change in Net Assets	13,691,700	1,823,314
Net Assets, Beginning of Year	<u>53,457,257</u>	<u>51,633,943</u>
Net Assets, End of Year	<u>\$ 67,148,957</u>	<u>\$ 53,457,257</u>

Stoughton Health
Statements of Cash Flows
Years Ended September 30, 2021 and 2020

	2021	2020
Operating Activities		
Change in net assets	\$ 13,691,700	\$ 1,823,314
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	3,150,926	3,255,757
Amortization of debt issuance costs	30,501	32,522
(Gain) loss on disposal of property and equipment	(14,684)	317,699
Change in interest in net assets of the Foundation	(90,707)	125,545
Earnings on investment in Stoughton Hospital Imaging, LLC	(265,082)	(167,314)
Distribution from Stoughton Hospital Imaging, LLC	200,000	200,000
Net realized and unrealized gains and losses on investments	(1,307,892)	(297,672)
Restricted contributions and contributions for and of Long-lived assets	(194,812)	(310,326)
Paycheck Protection Program loan forgiveness	(4,064,937)	-
Changes in assets and liabilities		
Patient receivables	(2,143,837)	2,023,869
Supplies	157,584	(71,317)
Estimated third-party payor settlements	1,575,000	(222,106)
Other assets	(107,491)	192,939
Accounts payable, accrued expenses, deferred revenue, and deferred compensation	273,012	183,717
Refundable advance - provider relief funds	(5,023,434)	5,023,434
CMS advanced payments	(1,237,502)	5,828,050
Net Cash provided by Operating Activities	4,628,345	17,938,111
Investing Activities		
Purchase of property and equipment	(1,561,623)	(1,507,132)
Proceeds from sale of property and equipment	57,818	10,356
Net sales (purchases) of certificates of deposit	-	10,000,000
Purchase of assets limited as to use	(11,603,172)	(17,063,952)
Sales/proceeds from maturities of assets limited as to use	12,371,160	7,109,779
Net Cash used in Investing Activities	(735,817)	(1,450,949)
Financing Activities		
Repayment of long-term debt	(1,298,318)	(1,251,547)
Proceeds from paycheck protection program loan	-	4,014,562
Payment of debt issuance costs	-	(375)
Payment of accounts payable for equipment	(150,976)	(113,275)
Restricted contributions	194,812	310,326
Net Cash provided by (used in) Financing Activities	(1,254,482)	2,959,691

Stoughton Health
 Statements of Cash Flows
 Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Change in Cash and Cash Equivalents	\$ 2,638,046	\$ 19,446,853
Cash and Cash Equivalents, Beginning of Year	<u>31,235,503</u>	<u>11,788,650</u>
Cash and Cash Equivalents, End of Year	<u>\$ 33,873,549</u>	<u>\$ 31,235,503</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	<u>\$ 479,256</u>	<u>\$ 530,826</u>
Supplemental Disclosure of Non-cash Investing and Financing Activity		
Property and equipment financed with accounts payable	<u>\$ 84,548</u>	<u>\$ 150,976</u>
Paycheck Protection Program loan and interest forgiveness	<u>\$ 4,064,937</u>	<u>\$ -</u>

Note 1 - Organization and Significant Accounting Policies

Organization

Stoughton Hospital Association, d/b/a Stoughton Health (Hospital) is a general acute care hospital located in Stoughton, Wisconsin. The Hospital is recognized as a non-stock, not-for-profit Wisconsin corporation providing services to Stoughton and the surrounding communities. The financial statements also include the accounts of the Partners of Stoughton Hospital (Auxiliary) and the Hospital's interest in the net assets of the Stoughton Hospital Foundation, Inc. (Foundation).

The Auxiliary is organized as a Wisconsin non-profit and was established to render services to the Hospital and its patients, to provide ways and means of assistance approved by the Hospital and to assist the Hospital in promoting the health and welfare of the community.

The Foundation is a not-for-profit corporation and was incorporated to attract charitable gifts to meet the needs of Stoughton Health.

Income Taxes

The Hospital is organized as a Wisconsin non-profit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). The Hospital is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Hospital is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose, if applicable. The Hospital believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Hospital would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with original maturities of three months or less, excluding assets limited as to use. For purposes of the statement of cash flows, the Hospital considers all cash with an original maturity of three months or less to be cash and cash equivalents.

Patient Receivables

Patient receivables are uncollateralized patient and third-party payor obligations. Unpaid patient receivables are not charged interest on amounts owed. Payments of patient receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

Patient accounts receivable are stated net of any explicit and implicit price concessions and then further reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Hospital analyzes accounts for adverse changes in a patient's or third-party payor's ability to pay that may have occurred subsequent to recognition. Management regularly reviews specific data about receivable balances and its past history with similar cases to estimate the appropriate allowance for doubtful accounts and provision for bad debts.

The Hospital has not adjusted the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the Hospital's expectation that the period between the time the service is provided to a patient and the time that the patient or third-party payor pays for that service will be one year or less. However, the Hospital does, in certain instances, enter into payment arrangements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

Supplies

Supplies are stated at the lower of cost (first-in, first-out) or net realizable value.

Assets Limited as to Use

Assets limited as to use includes assets set aside by the Board of Directors for future capital improvements and deferred compensation over which the board retains control and may, at its discretion, subsequently use for other purposes. For purposes of the statement of cash flows, restricted cash represents cash and cash equivalent amounts included in assets limited as to use which are restricted for specific purposes. Amounts required to meet current liabilities are presented in the balance sheet as current assets.

Property and Equipment

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. Interest expense incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. The estimated useful lives of property and equipment are as follows:

Land improvements	10 - 25 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 net assets without donor restrictions and are excluded from the performance indicator, 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 net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when donated or when acquired long-lived assets are placed in service.

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, 2021 and 2020.

Investments and Investment Income

Investments with readily determinable market values are stated at fair value. The fair value of all debt and equity securities with readily determinable fair values are based on quotations obtained from national and foreign securities exchanges. Certificates of deposit are recorded at historical cost, plus accrued interest. Substantially all investments are classified as trading securities, therefore, investment income or loss (including interest income, dividends, net changes in unrealized gains and losses, and net realized gains and losses, less external investment expenses) is included in the performance indicator unless the income or loss is restricted by donor or law.

Investment securities, in general, are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term and such changes could materially affect the amounts reported on the balance sheets.

Investment in Stoughton Hospital Imaging, LLC

The Hospital is accounting for its investment in Stoughton Hospital Imaging, LLC, a fifty percent owned affiliate, under the equity method of accounting by which the Hospital's share of the net income of the affiliate is recognized as income in the Hospital's statement of operations and added to the investment balance.

Although the fiscal year of the affiliate ends on December 31, the Hospital recognizes the net income of the affiliate based on the year ending September 30.

Debt Issuance Costs

Costs associated with the issuance of bonds and loans payable are being amortized using the effective interest method over the term of the related debt. Amortization expense is included with interest and amortization expense in the financial statements.

Net Assets with Donor Restrictions

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Unemployment Compensation

The Hospital has elected the reimbursement (self-insured) method to finance the cost of unemployment compensation benefits. Under this method, unemployment benefits are charged to operations when paid or when the amount of claims can be reasonably estimated. In order to guarantee payment of eligible benefits, the Hospital has obtained a letter of credit (see Note 11).

Patient Service Revenue

Patient service revenue is reported at the amount that reflects the consideration to which the Hospital expects to be entitled in exchange for providing patient care. These amounts, representing transaction price, are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, the Hospital bills the patients and third-party payors several days after the services are performed and/or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied. Amounts received before recognition of revenue are reported as a contract liability.

Performance obligations are determined based on the nature of the services provided by the Hospital. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Hospital believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patient in the hospital and clinic settings. The Hospital measures the performance obligation associated with inpatient services from admission into the Hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. The Hospital measures the performance obligation for outpatient and clinic services over the patient encounter, which is generally short in duration. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided, and the Hospital does not believe it is required to provide additional goods or services to the patient.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Hospital has elected to not disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute, intensive care unit, swing bed or geriatric psychiatric unit care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

The Hospital determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Hospital's policy, and/or implicit price concessions provided to uninsured patients. The Hospital determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies and historical experience. The Hospital determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Hospital's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews and investigations.

Consistent with the Hospital's mission, care is provided to patients regardless of their ability to pay. Therefore, the Hospital has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Hospital expects to collect based on its collection history with those patients.

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 revenue. The estimated cost of providing these services was \$137,000 and \$182,000 for the years ended September 30, 2021 and 2020, which was determined based on an average ratio of cost to gross charges related to the services provided. Additionally, the Hospital extends discounts to uninsured patients. The estimated costs of providing services related to the discounts was \$201,000 and \$252,000 for the years ended September 30, 2021 and 2020, which was determined based on an average ratio of cost to gross charges related to the services provided.

Performance Indicator

Revenues in excess of expenses is the performance indicator and excludes contributions of long-lived assets, and grants and contributions restricted for capital purposes, including assets acquired using contributions which were restricted by donors.

Donor-Restricted Gifts

The Hospital reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of changes in net assets as net assets released from restrictions.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in Note 15, which presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, such as depreciation, interest and other occupancy costs, are allocated to a function based on the assets associated with that function while employee benefits are allocated to a function based on salaries.

Advertising Costs

Costs incurred for producing and distributing advertising are expensed as incurred. The Hospital incurred \$493,853 and \$380,820 for advertising costs for the years ended September 30, 2021 and 2020.

Paycheck Protection Program (PPP) Loan

The Hospital was granted a \$4,014,562 loan under the PPP administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Hospital initially recorded a note payable and subsequently recorded forgiveness when the loan obligation was legally released by the SBA. The Hospital recognized \$4,064,937 of loan forgiveness income for the year ended September 30, 2021, which included \$50,375 of interest forgiven.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets or changes in net assets.

Note 2 - Change in Accounting Policy

As of October 1, 2020, the Hospital adopted the provisions of Accounting Standards Update No. 2014-09 (ASU 2014-09), *Revenues from Contracts with Customers* (Topic 606). The guidance provides a principles-based approach for determining revenue recognition and supersedes all existing guidance, such as current transaction and industry-specific revenue recognition guidance. The core principle of ASU 2014-09 is that an entity will recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (payment) to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 identifies a five-step process in order to recognize revenue. In addition, there is also more comprehensive guidance for transactions such as service revenue, contract modifications and multiple-element arrangements.

The Hospital has applied the guidance retrospectively to the prior reporting period. The Hospital has elected to apply certain allowable practical expedients when applying the guidance. For completed contracts, the Hospital did not restate contracts that began and ended within the same annual reporting period. For completed contracts that have variable consideration, the Hospital used the transaction price at the date the contract was completed rather than estimating variable consideration amounts in the comparative reporting period. For the prior year presented, the Hospital will not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the Hospital expects to recognize that amount as revenue. The Hospital has applied the above practical expedients consistently to all contracts within all reporting periods presented. The Hospital does not believe the effect of applying these expedients has a material impact on the amounts presented or disclosed.

The adoption of the new standard resulted in changes to the presentation and disclosure of revenue related to uninsured and underinsured patients. Prior to adoption of ASU 2014-09, the Hospital presented a separate provision for bad debts related to self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill). Under ASU No. 2014-09, the estimated uncollectible amounts due from these patients is generally considered an implicit price concession direct reduction to patient service revenue and resulted in a material reduction in the amounts previously presented separately as provision for bad debts. As such, the provision for bad debts of \$1,630,000 for the year ended September 30, 2020 has been reclassified and presented as a reduction to patient service revenue in current presentation. The adoption of the ASU 2014-09 did not have a significant or material impact on recognition of total operating revenues for any period and there was no cumulative effect of a change in accounting principle recorded, but its implementation did result in expanded footnote disclosures.

Note 3 - Liquidity and Availability

As of September 30, 2021 and 2020, the Hospital had a working capital of \$31,092,524 and \$25,526,560 and average days cash on hand of 431 and 442. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2021	2020
Cash and cash equivalents	\$ 33,873,549	\$ 31,235,503
Patient receivables	6,759,089	4,615,252
Other current assets	104,233	224,633
Estimated third-party payor settlements	-	350,000
 Financial assets available to meet general expenditures within one year	 \$ 40,736,871	 \$ 36,425,388

The Hospital has certain board-designated assets limited as to use for capital improvements. These assets limited as to use, which are more fully described in Notes 1 and 5, are not available for general expenditure within the next year and are not reflected in the amounts above. However, the board-designated amounts could be made available, if necessary.

As part of the Hospital's liquidity management plan, cash in excess of daily requirements is invested in certificates of deposits and money market funds. Additionally, the Hospital maintains a \$1.5 million line of credit as discussed in more detail in Note 12. As of September 30, 2021 and 2020, \$1.5 million remained available on the Hospital's line of credit.

As of September 30, 2021 and 2020, the Hospital was in compliance with covenants required from its outstanding debt.

Note 4 - Patient Service Revenue

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

Medicare: The Hospital is licensed as a Critical Access Hospital (CAH). The Hospital is reimbursed for most inpatient and outpatient services at cost plus one percent 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.

Medicaid: Inpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. Outpatient services related to Medicaid beneficiaries are paid based on a prospectively determined rate per visit. These rates vary according to a patient classifications system that is based on clinical, diagnostic, and other factors.

Other Payors: The Hospital also 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 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 revenue for the years ended September 30, 2021 and 2020:

	2021	2020
Medicare	51%	53%
Medicaid	10%	9%
Commercial and other	38%	37%
Self-pay	1%	1%
	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.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Hospital also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. The Hospital estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions.

The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts and implicit price concessions based on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. The ability to estimate the collectability of uninsured and other self-pay patients is contingent on the patient's ability or willingness to pay for the services provided. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as a provision for bad debts. The provision for bad debts for the years ended September 30, 2021 and 2020 was not significant.

Hospital services include a variety of services mainly covering inpatient procedures requiring extended stays or outpatient operations that require anesthesia or use of complex diagnostic equipment as well as emergency care for traumas and other critical conditions. Provider services are primarily related to care of outpatients covering primary and specialty healthcare needs.

Other revenue is recognized at an amount that reflects the consideration to which the Hospital expects to be entitled in exchange for providing goods and services. The amounts recognized reflect consideration due from customers, third-party payors and others. Primary categories of other revenue include income from cafeteria revenue, rental income, grants and management fees.

The nature, amount, timing and uncertainty of revenue and cash flows are affected by several factors that the Hospital considers in its recognition of revenue. Following are some of the factors considered:

- Payors (for example, Medicare, Medicaid, managed care or other insurance, patient) have different reimbursement/payment methodologies
- Length of the patient's service/episode of care
- Geography of the service location
- Hospital's line of business that provided the service (for example, hospital, physician services, etc.)

For the years ended September 30, 2021 and 2020, the Hospital recognized revenue of \$46,787,079 and \$41,935,745 over time as the services were provided.

Wisconsin Hospital Medicaid Assessment Program

Wisconsin legislation titled the Rural Health Care Access Act provides for a CAH assessment program. The assessment program provides additional "access payments" (a uniform amount) to CAHs for each Medicaid inpatient discharge and outpatient visit. Additionally, Medicaid HMOs will also pay "access payments" to CAHs for services that are reimbursed under a Medicaid managed care contract.

As a result of this program, "access payments" received were \$83,463 and \$82,527 and are included in net patient service revenue for the years ended September 30, 2021 and 2020. Program assessment fees of \$154,171 and \$151,735 were paid by the Hospital and are included in expenses on the statements of operations for the years ended September 30, 2021 and 2020.

Contract Liability – Advanced Payments

The contract liability balance consists of the remaining unpaid advanced payments received from the Centers for Medicare & Medicaid Services (CMS) in order to increase cash flow for Medicare Part A providers who were impacted by the COVID-19 pandemic. The Hospital received \$5,828,050 in advanced payments during 2020, which is being recouped through the Medicare claims processed beginning 365 days after the date of issuance of the advanced payments. This recoupment process will continue until the balance of the advanced payments has been recouped or for 29 months from the date that the advanced payments were issued, at which point any remaining unpaid balance is due. The advanced payments balance is non-interest bearing through the 29-month repayment period. The portion expected to be recouped in the next 12 months is included in current liabilities and the portion expected to be recouped in greater than 12 months is presented in long-term liabilities in the accompanying balance sheets. The Hospital's contract liability balances as of September 30, 2021 and 2020 were \$4,590,548 and \$5,828,050, respectively.

In addition to CMS advance payments, contract assets (liabilities) also represent estimated settlements related to Medicare cost reports not yet finalized. The beginning and ending balances for patient receivables and contract assets and liabilities were as follows for the years ended September 30, 2021 and 2020:

	2021	
	October 1	September 30
Patient receivables	\$ 4,615,252	\$ 6,759,089
Contract assets and liabilities, net	(5,703,050)	(6,040,548)
	\$ (1,087,798)	\$ 718,541
	2020	
	October 1	September 30
Patient receivables	\$ 6,639,121	\$ 4,615,252
Contract assets and liabilities, net	(97,106)	(5,703,050)
	\$ 6,542,015	\$ (1,087,798)

Note 5 - Fair Value Measurements

The Hospital reports certain assets and liabilities at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available.

A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to an assessment of the quality, risk or liquidity profile of the asset or liability.

A significant portion of investments are classified within Level 1 because they are comprised of U.S. Treasury obligations, common stock, and mutual funds with readily determinable fair values based on daily redemption values. Fixed income securities such as municipal and corporate bonds are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market-rate assumptions, and are classified within Level 2.

The Hospital's deferred compensation assets are invested in a managed fund and participant directed funds. The managed fund has a target allocation intended to achieve moderate to conservative risk. The underlying investments in this fund primarily consist of fixed income securities and equities. The value of the Hospital's share in the managed fund is based on a statement provided by the investment advisor. The valuations of the underlying investments in the fund are determined by reference to quoted market prices.

The following table presents assets measured at fair value on a recurring basis, except those measured at cost as identified below, at September 30, 2021:

	Total	Quoted Prices in Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Assets Limited as to Use				
Board designated for capital improvements				
Money market funds (at cost)	\$ 174,510	\$ -	\$ -	\$ -
Certificates of deposit (at cost)	7,000,000	-	-	-
Fixed income				
U.S. Treasury obligations	1,825,316	1,740,998	84,318	-
Corporate bonds	1,831,348	-	1,831,348	-
Asset-backed securities	397,521	-	397,521	-
Mutual funds				
Equities	818,019	818,019	-	-
Fixed income	436,344	436,344	-	-
Common stock				
Large cap	2,734,960	2,734,960	-	-
Mid cap	1,049,275	1,049,275	-	-
Small cap	930,725	930,725	-	-
Deferred compensation				
Managed funds - moderate - conservative	348,992	-	348,992	-
Mutual funds				
Equities	48,500	48,500	-	-
Money market funds (at cost)	34,214	-	-	-
	<u>\$ 17,629,724</u>	<u>\$ 7,758,821</u>	<u>\$ 2,662,179</u>	<u>\$ -</u>

The following table presents assets measured at fair value on a recurring basis, except those measured at cost as identified below, at September 30, 2020:

	Total	Quoted Prices in Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Assets Limited as to Use				
Board designated for capital improvements				
Money market funds (at cost)	\$ 130,089	\$ -	\$ -	\$ -
Certificates of deposit (at cost)	9,000,000	-	-	-
Fixed income				
U.S. Treasury obligations	1,097,496	735,468	362,028	-
Corporate bonds	1,473,360	-	1,473,360	-
Asset-backed securities	692,894	-	692,894	-
Mutual funds				
Equities	1,040,675	1,040,675	-	-
Fixed income	220,498	220,498	-	-
Common stock				
Large cap	2,270,500	2,270,500	-	-
Mid cap	421,769	421,769	-	-
Small cap	391,609	391,609	-	-
Deferred compensation				
Managed funds - moderate - conservative	317,292	-	317,292	-
Mutual funds				
Equities	20,217	20,217	-	-
Money market funds (at cost)	13,421	-	-	-
	<u>\$ 17,089,820</u>	<u>\$ 5,100,736</u>	<u>\$ 2,845,574</u>	<u>\$ -</u>

Note 6 - Investment Income

Investment income consisted of the following for the years ended September 30, 2021 and 2020:

	2021	2020
Other Income		
Investment income - realized		
Interest and dividend income	\$ 245,940	\$ 413,511
Net realized gains and losses	511,628	(19,233)
	<u>\$ 757,568</u>	<u>\$ 394,278</u>
Investment income - unrealized		
Change in unrealized gains and losses on investments	\$ 796,264	\$ 316,905

Note 7 - Property and Equipment

A summary of property and equipment at September 30, 2021 and 2020 follows:

	2021		2020	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	\$ 2,270,376	\$ -	\$ 2,235,576	\$ -
Land improvements	2,420,225	1,314,087	2,296,621	1,195,966
Buildings and improvements	40,764,532	22,139,428	41,187,991	21,579,712
Equipment	17,101,886	12,178,504	17,026,443	11,391,893
Construction in progress	312,551	-	206,380	-
	<u>\$ 62,869,570</u>	<u>\$ 35,632,019</u>	<u>\$ 62,953,011</u>	<u>\$ 34,167,571</u>
Property and equipment, net		<u>\$ 27,237,551</u>		<u>\$ 28,785,440</u>

Construction in progress at September 30, 2021 and 2020 represents costs incurred for various, ongoing capital projects.

Note 8 - Investment in Stoughton Hospital Imaging, LLC

A summary of Stoughton Hospital Imaging, LLC's assets, liabilities, profit and loss is shown below:

	2021	2020
Assets, primarily cash and equipment	<u>\$ 2,374,275</u>	<u>\$ 2,243,106</u>
Liabilities, primarily accounts payable	\$ 35,481	\$ 34,476
Equity	<u>2,338,794</u>	<u>2,208,630</u>
Total liabilities and equity	<u>\$ 2,374,275</u>	<u>\$ 2,243,106</u>
Income	\$ 1,136,148	\$ 878,982
Expenses	<u>605,984</u>	<u>547,645</u>
Net income before distributions	530,164	331,337
Distribution to owners	(400,000)	(400,000)
Equity, beginning	<u>2,208,630</u>	<u>2,277,293</u>
Equity, ending	<u>\$ 2,338,794</u>	<u>\$ 2,208,630</u>

Note 9 - Interest in Net Assets of the Stoughton Hospital Foundation

The Stoughton Hospital Foundation, Inc. (Foundation) was incorporated pursuant to Chapter 181 of the Wisconsin statutes related to nonstock and not-for-profit corporations. The primary objective of the Foundation is to exclusively benefit, support, promote, and assist the Hospital. Accordingly, the Hospital has recorded an interest in the net assets of the Foundation. Amounts received by the Foundation are recorded as an increase in the interest in net assets of the Foundation. Amounts received by the Hospital from the Foundation are recorded as a decrease in the interest in net assets of the Foundation.

The Foundation is organized as a Wisconsin nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi), and has been determined not to be a private foundation under Section 509(a)(1). The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Foundation is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. Management has determined that the entity is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

A summary of the Foundation's assets, liabilities, and results of operations and changes in net assets is shown below:

	<u>2021</u>	<u>2020</u>
Assets, primarily cash and investments	\$ 1,410,823	\$ 1,348,912
Liabilities	\$ 36,648	\$ 65,444
Net Assets	<u>1,374,175</u>	<u>1,283,468</u>
 Total liabilities and net assets	 <u>\$ 1,410,823</u>	 <u>\$ 1,348,912</u>
Support and revenue	\$ 434,645	\$ 339,020
Total expenses	<u>343,938</u>	<u>464,565</u>
 Change in net assets	 90,707	 (125,545)
Net assets, beginning	<u>1,283,468</u>	<u>1,409,013</u>
Net assets, ending	<u>\$ 1,374,175</u>	<u>\$ 1,283,468</u>

During the years ended September 30, 2021 and 2020, the Hospital received contributions from the Foundation of \$194,812 and \$310,326. These amounts are shown as contributions of long-lived assets and restricted contributions on the statements of changes in net assets. The Foundation reimburses the Hospital for salaries and other operating expenses. Amounts reimbursed during the years ended September 30, 2021 and 2020 were \$153,155 and \$137,681. Amounts due from the Foundation for reimbursement of expenses were \$35,892 and \$64,444 as of September 30, 2021 and 2020 and are included in other current assets on the balance sheets.

Note 10 - Leases

The Hospital leases certain equipment under noncancelable long-term operating lease agreements. Total lease expense for the years ended September 30, 2021 and 2020 for all operating leases was \$691,024 and \$667,733. Minimum future lease payments for the operating leases are as follows:

Years Ending September 30,	Amount
2022	\$ 412,824
2023	226,046
2024	64,530
2025	65,528
2026	66,547
Thereafter	11,120
	\$ 846,595

Note 11 - Long-Term Debt

Long-term debt consists of the following:

	2021	2020
Wisconsin Health and Educational Facilities Authority, Series 2012 Tax Exempt Revenue Bonds, fixed interest rate of 3.82%, payments due monthly until maturity on October 1, 2025, secured by property and equipment and virtually all revenues earned by the Hospital, net of unamortized debt issuance costs of \$10,837 in 2021 and \$16,661 in 2020 (based upon effective interest rate of 1.96%)	\$ 1,076,678	\$ 1,324,019
Real estate loan, fixed interest rate of 4.81%, monthly payments of \$24,654, balance due October 1, 2022, secured by property and equipment, net of unamortized debt issuance costs of \$148 in 2021 and \$519 in 2020 (based upon effective interest rate of 2.92%)	359,371	630,113
Wisconsin Health and Educational Facilities Authority, Series 2015 Tax Exempt Revenue Bonds, initial fixed interest rate of 3.47% until September 1, 2025, payments due monthly until maturity on September 1, 2045, secured by property and equipment and virtually all revenues earned by the Hospital, net of unamortized debt issuance costs of \$35,842 in 2021 and \$47,514 in 2020 (based upon effective interest rate of 3.47%), prepayment without penalty is allowed up to 10% of the balance each year	8,120,250	8,551,862

	2021	2020
Wisconsin Health and Educational Facilities Authority, Series 2018 Tax Exempt Revenue Bonds, fixed interest rate of 3.73% payments due monthly until maturity on November 1, 2028, secured by property and equipment and virtually all revenues earned by the Hospital, net of unamortized debt issuance costs of \$89,492 in 2021 and \$102,126 in 2020 (based upon effective interest rate of 3.73%), prepayment without penalty is allowed up to 10% of the balance each year	\$ 2,684,089	\$ 3,002,211
	12,240,388	13,508,205
Less current maturities	(1,317,080)	(1,267,816)
Long-term debt, less current maturities	\$ 10,923,308	\$ 12,240,389

Long-term debt maturities are as follows:

Years Ending September 30,	Amount
2022	\$ 1,345,493
2023	1,170,557
2024	1,130,764
2025	1,169,160
2026	1,019,748
Thereafter	6,540,985
	12,376,707
Unamortized debt issuance costs	(136,319)
	\$ 12,240,388

Under the terms of the revenue bond loan agreements, the Hospital is required to maintain certain deposits with a trustee. Such deposits are included with assets limited as to use in the financial statements. The loan agreements also place limits on the incurrence of additional borrowings and require that the Hospital satisfy certain measures of financial performance.

The Hospital maintains an irrevocable letter of credit to the benefit of the Treasurer-Wisconsin Unemployment Compensation Division in an amount based upon payroll in order to guarantee payment of eligible benefits. As of September 30, 2021 and 2020, the amount of the letter of credit was approximately \$342,000.

Note 12 - Bank Line of Credit

The Hospital has a business revolving line of credit which allows for borrowings of up to \$1,500,000 with a floating interest rate equal to the index rate (prime rate set by the bank) plus 1.500%. The line of credit expires June 15, 2022, and is secured by all inventory, accounts receivable, and equipment. There were no amounts outstanding on the line of credit as of September 30, 2021 and 2020.

Note 13 - Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at September 30, 2021 and 2020:

	2021	2020
Interest in future distributions of net assets of Stoughton Hospital Foundation	\$ 1,374,175	\$ 1,283,468
Healthcare services (including property and equipment)	153,437	173,047
	\$ 1,527,612	\$ 1,456,515

In 2021 and 2020, net assets were released from donor restrictions by incurring expenditures satisfying the restricted purposes of purchases of property and equipment in the amounts of \$65,901 and \$117,410. These amounts are included in the net assets released from restrictions in the accompanying financial statements.

Note 14 - 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, 2021 and 2020 were as follows:

	2021	2020
Medicare	42%	47%
Medicaid	10%	7%
Dean care	14%	12%
Other third-party payors	23%	21%
Self pay	11%	13%
	100%	100%

The Hospital's cash balances are maintained in various bank deposit accounts. At times, these deposits may be in excess of federally insured limits. Management believes these financial institutions have strong credit ratings and that credit risk related to these deposits is minimal.

Note 15 - Functional Expenses

The Hospital provides general healthcare services to patients within its geographic location. Expenses related to providing these services by functional class for the year ended September 30, 2021 are as follows:

	Healthcare Services				General and Administrative	Fundraising	Total
	Hospital Services	Home Care Services	Specialty Clinic Services	Rental Properties			
Salaries and wages	\$ 12,984,695	\$ 148,360	\$ 1,841,507	\$ 106,214	\$ 3,252,519	\$ 95,422	\$ 18,428,717
Employee benefits	3,050,534	34,855	432,631	24,953	764,123	22,418	4,329,514
Supplies and other	15,037,096	39,282	842,585	239,605	3,869,765	30,539	20,058,872
Depreciation	2,293,109	8,597	32,095	3,071	813,188	866	3,150,926
Interest and amortization	513,995	-	-	24,204	-	-	538,199
	<u>\$ 33,879,429</u>	<u>\$ 231,094</u>	<u>\$ 3,148,818</u>	<u>\$ 398,047</u>	<u>\$ 8,699,595</u>	<u>\$ 149,245</u>	<u>\$ 46,506,228</u>

Expenses related to providing these services by functional class for the year ended September 30, 2020 are as follows:

	Healthcare Services				General and Administrative	Fundraising	Total
	Hospital Services	Home Care Services	Specialty Clinic Services	Rental Properties			
Salaries and wages	\$ 11,717,840	\$ 541,098	\$ 1,655,792	\$ 120,608	\$ 2,880,083	\$ 88,176	\$ 17,003,597
Employee benefits	3,367,867	154,925	474,737	34,580	817,760	25,281	4,875,150
Supplies and other	12,786,124	88,459	530,943	235,010	3,627,768	24,595	17,292,899
Depreciation	2,362,114	14,737	36,299	1,274	840,467	866	3,255,757
Interest and amortization	539,335	-	-	37,695	-	-	577,030
	<u>\$ 30,773,280</u>	<u>\$ 799,219</u>	<u>\$ 2,697,771</u>	<u>\$ 429,167</u>	<u>\$ 8,166,078</u>	<u>\$ 138,918</u>	<u>\$ 43,004,433</u>

Note 16 - Provider Relief Funds

The Hospital received \$5,023,434 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 deadlines for incurring eligible expenses and lost revenues, varying based on the date the Hospital received the funds. 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, 2021 and 2020, the Hospital had refundable advance balances of \$-0- and \$5,023,434, which were included in current liabilities on the accompanying balance sheets. During the year ended September 30, 2021, the Hospital recognized \$5,023,434 as revenue, included as nonoperating revenue, on the accompanying statements of operations.

Note 17 - Contingencies

Malpractice Insurance

The Hospital has malpractice insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of \$1 million per incident 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 terms, but reported subsequently, will be uninsured.

Wisconsin healthcare providers (principally physicians and hospitals) are required to pay a yearly assessment into the Wisconsin Injured Patients and Families Compensation Fund ("Fund") and provide proof of financial responsibility to the Commissioner of Insurance in the form of insurance, an approved plan of self-insurance, or a surety bond. The prescribed limits are \$1 million for each occurrence and \$3 million in the annual aggregate. Healthcare providers are liable only to the extent of the limits of their insurance.

The Fund provides compensation for claimants whose damages exceed the negligent healthcare provider's liability insurance. The Fund must be joined as a party in the case, although the initial duty to defend is that of the underlying insurer or self-insurer.

Excess Liability Umbrella Insurance

The Hospital also has excess liability umbrella coverage on a claims-made basis subject to a limit of \$5 million per occurrence and an annual aggregate limit of \$5 million, and general liability coverage of \$1 million per occurrence and an 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, will 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 healthcare 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 revenue from patient services.

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 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.

The Hospital applied for and received loan forgiveness from the SBA on its PPP loan in 2021. In accordance with PPP loan requirements, the Hospital is required to maintain PPP loan files and certain underlying supporting documents for periods ranging from three to six years. The Hospital is also required to permit access to such files upon request by the SBA. Accordingly, there is potential the PPP loan could be subject to further review by the SBA and that previously recognized forgiveness could be reversed based on the outcome of this review.

COVID-19 Pandemic

During 2021 and 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.

Note 18 - Affiliation Agreement

The Hospital participates in a master agreement and affiliation agreement with SSM Healthcare of Wisconsin (SSM Wisconsin). As part of this affiliation, SSM Wisconsin has the right to appoint two directors to the Hospital's twelve-member Board of Directors. The agreement also specifies certain board resolutions that must be approved by the SSM Wisconsin board members. In the event of liquidation, dissolution or sale of the Hospital, SSM Wisconsin would receive 40 percent of the net proceeds.

Note 19 - Subsequent Events

The Hospital has evaluated subsequent events through January 26, 2022, the date which the financial statements were available to be issued.

Subsequent to year-end, the Hospital received \$407,331 in Phase 4 Provider Relief Funds. This funding is subject to similar terms and conditions as other Provider Relief Fund distributions (Note 16). These funds have a period of availability for incurring eligible expenses and/or lost revenues of January 1, 2020 through December 31, 2022. Unspent funds will be expected to be repaid.