Alva Hospital Authority
d/b/a Share Medical Center

Independent Auditor's Reports and Financial Statements

June 30, 2021 and 2020

Alva Hospital Authority
d/b/a Share Medical Center
June 30, 2021 and 2020

Contents

FORVIS

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Independent Auditor's Report

Board of Trustees
Alva Hospital Authority
d/b/a Share Medical Center
Alva, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of Alva Hospital Authority d/b/a Share Medical Center (the Authority) as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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 Alva Hospital Authority d/b/a Share Medical Center as of June 30, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The accompanying financial statements have been prepared assuming the Authority will continue as a going concern. As described in *Note 15*, the Authority has suffered recurring losses from operations, which raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in *Note 15*. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matter

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2022, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

FORVIS, LLP

Tulsa, Oklahoma
June 23, 2022

Alva Hospital Authority
d/b/a Share Medical Center
Balance Sheets
June 30, 2021 and 2020

Assets and Deferred Outflows of Resources

	2021	2020
Current Assets		
Cash	$ 4,762,770	$ 5,953,267
Patient accounts receivable, net of allowance; 2021 – $4,100,000, 2020 – $2,316,000	1,424,307	1,807,360
Other receivables	186,179	171,770
Estimated amounts due from third-party payors	423,188	454,083
Supplies	220,881	209,951
Prepaid expenses and other	134,326	119,229
Total current assets	7,151,651	8,715,660
Noncurrent Cash and Cash Equivalents		
Held by trustee for debt service	361,155	361,155
Restricted for specific operating activities	151,932	102,454
Restricted for capital acquisition	106,397	5,519
	619,484	469,128
Capital Assets, Net	11,527,784	10,764,644
Deferred Outflows of Resources	307,388	341,542
Interest in Assets at Communities Foundation of Oklahoma, Inc.	338,566	265,166
Total assets and deferred outflows of resources	$ 19,944,873	$ 20,556,140

Liabilities and Net Position

	2021	2020
Current Liabilities		
Current maturities of long-term debt	$ 569,025	$ 994,281
Accounts payable	388,067	439,208
Accrued expenses	809,417	708,643
Unearned grant revenue	623,128	3,768,157
Estimated amounts due to third-party payors	1,113,188	1,414,083
Total current liabilities	3,502,825	7,324,372
Other Liabilities		
Long-term debt	5,715,328	5,419,710
Total other liabilities	5,715,328	5,419,710
Total liabilities	9,218,153	12,744,082
Net Position		
Net investment in capital assets	7,341,204	6,171,380
Restricted – expendable for		
Debt service	52,638	52,043
Capital acquisitions	106,397	5,519
Specific operating activities	151,932	102,454
Unrestricted	3,074,549	1,480,662
Total net position	10,726,720	7,812,058
Total liabilities and net position	$ 19,944,873	$ 20,556,140

Alva Hospital Authority
d/b/a Share Medical Center
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2021 and 2020

	2021	2020
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2021 – $1,794,000, 2020 – $1,578,904	$ 12,560,507	$ 11,601,483
Other	917,987	1,057,957
Total operating revenues	13,478,494	12,659,440
Operating Expenses		
Salaries and wages	8,250,527	7,018,082
Employee benefits	1,289,498	1,009,497
Purchased services and professional fees	2,840,210	1,994,629
Supplies and other	3,574,805	3,062,868
Depreciation	645,318	576,454
Total operating expenses	16,600,358	13,661,530
Operating Loss	(3,121,864)	(1,002,090)
Nonoperating Revenues (Expenses)		
Investment income	93,158	16,774
Noncapital gifts	93,664	534,185
Noncapital appropriations – City of Alva	1,253,327	1,312,550
Forgiveness of debt	1,042,300	-
Interest expense	(222,646)	(277,503)
Government grants	3,675,730	-
Total nonoperating revenues (expenses)	5,935,533	1,586,006
Excess of Revenues over Expenses Before Capital Grants and Gifts	2,813,669	583,916
Capital Grants and Gifts	100,993	819
Increase in Net Position	2,914,662	584,735
Net Position, Beginning of Year	7,812,058	7,227,323
Net Position, End of Year	$ 10,726,720	$ 7,812,058

Alva Hospital Authority
d/b/a Share Medical Center
Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Operating Activities		
Receipts from and on behalf of patients	$ 12,673,560	$ 13,387,384
Payments to suppliers and contractors	(6,492,183)	(6,000,162)
Payments to and on behalf of employees	(9,439,251)	(7,904,343)
Other receipts and payments, net	903,578	981,802
Net cash provided by (used in) operating activities	(2,354,296)	464,681
Noncapital Financing Activities		
Interest paid on lines of credit	(189,941)	(65,458)
Noncapital grants and gifts	624,365	4,302,342
Noncapital appropriations – City of Alva	1,253,327	1,312,550
Principal paid on lines of credit	-	(3,010,000)
Principal paid on long-term debt	(88,517)	(628,210)
Proceeds from draws on lines of credit	-	2,210,000
Proceeds from issuance of long-term debt	1,442,017	2,054,300
Net cash provided by noncapital financing activities	3,041,251	6,175,524
Capital and Related Financing Activities		
Capital grants and gifts	100,993	819
Principal paid on long-term debt	(440,838)	(388,438)
Interest paid on long-term debt	1,449	(185,142)
Purchase of capital assets	(1,408,458)	(330,569)
Net cash used in capital and related financial activities	(1,746,854)	(903,330)
Investing Activities		
Contribution to Communities Foundation of Oklahoma, Inc.	(73,400)	(4,788)
Interest on investments	93,158	16,774
Net cash provided by investing activities	19,758	11,986
Increase (Decrease) in Cash and Cash Equivalents	(1,040,141)	5,748,861
Cash and Cash Equivalents, Beginning of Year	6,422,395	673,534
Cash and Cash Equivalents, End of Year	$ 5,382,254	$ 6,422,395

	2021	2020
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash	$ 4,762,770	$ 5,953,267
Noncurrent cash and cash equivalents	619,484	469,128
	$ 5,382,254	$ 6,422,395
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities		
Operating loss	$ (3,121,864)	$ (1,002,090)
Depreciation	645,318	576,454
Provision for uncollectible accounts	1,794,000	1,578,904
Changes in operating assets and liabilities		
Patient accounts receivable, net	(1,410,947)	(1,773,003)
Other receipts and payments, net	(14,409)	(76,155)
Supplies and prepaid expenses	(26,027)	(27,360)
Estimated amounts due from/to third-party payors	(270,000)	1,980,000
Accounts payable and accrued expenses	49,633	(792,069)
Net cash provided by (used in) operating activities	$ (2,354,296)	$ 464,681
Supplemental Cash Flows Information		
Forgiveness of PPP loan	$ 1,042,300	$ -

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

Alva Hospital Authority d/b/a Share Medical Center (the Authority) was created under a trust indenture dated October 1, 1968, as a public trust under the provisions of Title 60 of the Oklahoma statutes for the benefit of the City of Alva, Oklahoma (the City). The Authority's sole activity is to operate Share Medical Center under a bargain lease agreement with the City. The City has leased its presently existing and hereafter acquired hospital facilities to the Authority pursuant to a lease agreement dated November 19, 1968, as amended, for a term extending to and including November 19, 2068, and so long thereafter as any indebtedness of the Authority secured by it remains outstanding.

The Authority consists of a 25-bed hospital facility and an 80-bed convalescent home. The Authority primarily earns revenues by providing inpatient, outpatient, and emergency care services to patients in northwestern Oklahoma.

The Authority entered into a management services agreement with Alva Utility Authority during 2013 to manage the administrative, financial, and operational activities of Homestead Retirement Community (Homestead) for a five-year period with the option to extend. During fiscal year 2018, the management services agreement was extended for an additional five-year period.

Effective July 2018, the Authority was granted critical access hospital (CAH) status by the Centers for Medicare & Medicaid Services (CMS).

Reporting Entity

The accompanying financial statements present the Authority and its blended component unit, an entity for which the Authority is considered to be financially accountable. The blended component unit is, in substance, part of the Authority's operations, even though it is a legally separate entity. Thus, the blended component unit is appropriately presented as funds of the Authority.

Blended Component Unit

Share Medical Center Foundation, Inc. (the Foundation) is a legally separate, tax-exempt component unit of the Authority. The Foundation's primary function is to raise and hold funds to support the Authority and its programs. The board of the Foundation is self-perpetuating. Although the Authority does not control the timing or amount of receipts from the Foundation, the majority of the Foundation's resources and related income are restricted by donors for the benefit of the Authority. Because these restricted resources held by the Foundation can only be used by or for the benefit of the Authority, the Foundation is considered a component unit of the Authority and is included in the Authority's financial statements using the blended method. All significant intercompany accounts and transactions between the Authority and the Foundation have been eliminated in the accompanying financial statements. The Foundation does not issue separate financial statements.

Basis of Accounting and Presentation

The accompanying financial statements of the Authority have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and deferred outflows of resources, and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally, federal grants and city appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program-specific, investment income, and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Authority first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Use of Estimates

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

Cash Equivalents

The Authority considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2021 and 2020, cash equivalents consisted of money market accounts with bankers.

Included in held by trustee for debt service on the accompanying balance sheets are money market mutual funds with brokers that the Authority considers to be a cash equivalent.

Risk Management

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

Investments and Investment Income

All investments are carried at fair value. See *Note 12*.

Investment income includes interest income.

Patient Accounts Receivable

The Authority reports patient accounts receivable for services rendered at net realizable amounts from third-party payors, patients, and others. The Authority provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information, and existing economic conditions.

Supplies

Supply inventories are stated at the lower of cost or market. Costs are determined using the first-in, first-out (FIFO) method.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the Authority:

Land improvements	5–20 years
Buildings and improvements	5–40 years
Equipment	3–20 years

Capital Asset Impairment

The Authority evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation is increased by the amount of the impairment loss.

No asset impairments were recognized during the years ended June 30, 2021 and 2020.

Deferred Outflows of Resources

The Authority reports the consumption of net position that is applicable to a future period as deferred outflows of resources in a separate section of its balance sheet.

Compensated Absences

Authority policies permit most employees to accumulate paid leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as paid leave benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments, such as Social Security and Medicare taxes, computed using rates in effect at that date.

Net Position

Net position of the Authority is classified in three components:

Net Investment in Capital Assets – This component consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.

Restricted Expendable Net Position – This component consists of noncapital assets that must be used for a particular purpose as specified by creditors, grantors, or donors external to the Authority, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings.

Unrestricted Net Position – This component is the remaining net position that does not meet the definition of net investment in capital assets or restricted expendable net position.

Net Patient Service Revenue

The Authority has agreements with third-party payors that provide for payments to the Authority at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

Charity Care

The Authority provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Authority does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

Income Taxes

As an essential government function of the City, the Authority is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code (IRC) and a similar provision of state law. The Foundation is generally exempt from income taxes under Section 501 of the IRC. However, the Authority and the Foundation are subject to federal income tax on any unrelated business taxable income.

City Appropriations

Effective September 1, 2004, the citizens of the City approved a 1.25% sales tax, with no expiration date, to be used for capital improvements of the Authority. Effective December 1, 2013, the citizens of the City approved a change in the use of the sales tax to be used for debt service payments with any excess to be available for operations and maintenance of the Authority.

The Authority received approximately 6% and 9% of its financial support from city appropriations related to the sales tax in 2021 and 2020, respectively. Revenue from city appropriations is recognized in the year in which the sales taxes are earned and is reflected as noncapital appropriations – City of Alva.

Supplemental Hospital Offset Payment Program

On January 17, 2012, CMS approved the State of Oklahoma's Supplemental Hospital Offset Payment Program (SHOPP). The SHOPP is currently scheduled to sunset on December 31, 2025. The SHOPP is designed to assess Oklahoma hospitals a supplemental hospital offset fee, which will be placed in pools after receiving federal matching funds. The total fees and matching funds will then be allocated to hospitals as directed by legislation. In addition to the SHOPP, there is a separate voluntary pool created to assist hospitals that did not receive sufficient SHOPP funds to cover the assessment fees paid. The Oklahoma Hospital Association (OHA) Foundation receives voluntary contributions from Oklahoma hospitals and remits funds to those providers that did not receive SHOPP funds to reimburse them for the assessment fees paid. In 2019, the Authority's conversion to CAH status changed its participation in the SHOPP. CAHs are excluded from paying the supplemental hospital offset fee but are still eligible to receive SHOPP funds.

During the years ended June 30, the Authority had the following activity related to the SHOPP:

	2021	2020
SHOPP funds received	$ 110,000	$ 93,000

The annual amounts to be received and paid by the Authority over the term of the SHOPP are subject to change annually based on various factors involved in determining the amount of federal matching funds.

Revisions

Certain immaterial revisions have been made to the 2020 financial statements to reflect certain restricted cash and cash equivalents within noncurrent assets on the accompanying balance sheets. These revisions did not have a significant impact on the financial statement line items impacted.

Note 2: Net Patient Service Revenue

The Authority has agreements with third-party payors that provide for payments to the Authority at amounts different from its established rates. These payment arrangements include:

- **Medicare** – Inpatient services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology. Certain outpatient services related to Medicare beneficiaries are paid based on a combination of fee schedules and a cost reimbursement methodology. The Authority is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicare administrative contractor. The Authority's Medicare cost reports have been audited by the Medicare administrative contractor through June 30, 2018.

- **Medicaid** – The Authority is reimbursed for services rendered to patients covered by the state Medicaid program on a prospective per discharge or fee schedule method with no retroactive adjustments. These payment rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

- **Other** – Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Approximately 72% and 78% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended June 30, 2021 and 2020, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

Note 3: Deposits, Investments, and Investment Income

Deposits

Custodial credit risk is the risk that in the event of a bank failure a government's deposits may not be returned to it. The Authority's deposit policy for custodial credit risk requires compliance with the provisions of state law. State law requires that all deposits of public trusts be insured with federal depository insurance or collateralized.

At June 30, 2021 and 2020, approximately $2,529,000 and $1,043,000 of the Authority's bank balances of approximately $5,354,000 and $6,161,000, respectively, were exposed to custodial credit risk as uninsured and uncollateralized.

Investments

The Authority may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. It may also invest to a limited extent in corporate bonds and equity securities.

At June 30, 2021 and 2020, the Authority had investments of $361,155 in money market mutual funds.

Interest Rate Risk – Interest rate risk is the exposure to fair value losses arising from rising interest rates. The money market mutual funds are considered an investment with a maturity of less than one year because the average maturity of the fund is less than one year.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2021 and 2020, the Authority's investments in money market mutual funds were not rated.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

Concentration of Credit Risk – The Authority places no limit on the amount that may be invested in any one issuer. At June 30, 2021 and 2020, all of the Authority's investments were in money market mutual funds and were held in Bank of Oklahoma Short-Term Cash Funds.

Foreign Currency Risk – This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The Authority had no investments denominated in foreign currency at June 30, 2021 and 2020.

Summary of Carrying Values

The carrying values of deposits are included in the accompanying balance sheets as follows:

	2021	2020
Carrying value		
Deposits	$ 5,021,099	$ 6,061,240
Investments	361,155	361,155
	$ 5,382,254	$ 6,422,395
Included in the following balance sheet captions		
Cash	$ 4,762,770	$ 5,953,267
Noncurrent cash and cash equivalents	619,484	469,128
	$ 5,382,254	$ 6,422,395

Investment Income

Investment income for the years ended June 30, 2021 and 2020, consisted of interest income of $93,158 and $16,774, respectively.

Note 4: Patient Accounts Receivable

The Authority grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payor agreements. Patient accounts receivable at June 30 consisted of:

	2021	2020
Medicare	$ 795,108	$ 1,191,582
Medicaid	233,468	469,435
Other third-party payors	1,000,537	673,264
Patients	3,495,194	1,789,079
	5,524,307	4,123,360
Less allowance for uncollectible accounts	4,100,000	2,316,000
	$ 1,424,307	$ 1,807,360

Note 5: Capital Assets

Capital assets activity for the years ended June 30 was:

	2021				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 132,829	$ -	$ -	$ -	$ 132,829
Land improvements	86,208	-	-	-	86,208
Buildings and improvements	15,051,872	110,811	-	-	15,162,683
Equipment	11,328,465	1,297,647	-	-	12,626,112
	26,599,374	1,408,458	-	-	28,007,832
Less accumulated depreciation					
Land improvements	86,208	-	-	-	86,208
Buildings and improvements	5,690,113	345,535	-	-	6,035,648
Equipment	10,058,409	299,783	-	-	10,358,192
	15,834,730	645,318	-	-	16,480,048
Capital assets, net	$ 10,764,644	$ 763,140	$ -	$ -	$ 11,527,784

	2020				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 132,829	$ -	$ -	$ -	$ 132,829
Land improvements	86,208	-	-	-	86,208
Buildings and improvements	15,051,872	-	-	-	15,051,872
Equipment	11,016,090	312,375	-	-	11,328,465
	26,286,999	312,375	-	-	26,599,374
Less accumulated depreciation					
Land improvements	86,208	-	-	-	86,208
Buildings and improvements	5,341,789	348,324	-	-	5,690,113
Equipment	9,830,279	228,130	-	-	10,058,409
	15,258,276	576,454	-	-	15,834,730
Capital assets, net	$ 11,028,723	$ (264,079)	$ -	$ -	$ 10,764,644

Note 6: Medical Malpractice Claims

The Authority purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Authority's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

Note 7: Lines of Credit

The Authority periodically borrows funds from banks to finance capital asset acquisitions and manage cash flows from operations. The lines of credit bear interest at predetermined rates, are unsecured, and mature in less than one year from issuance.

The following is a summary of the lines of credit transactions for the Authority for the years ended June 30:

	2021	2020
Beginning balance	$ -	$ 800,000
Additions	-	2,210,000
Deductions	-	(3,010,000)
Ending balance	$ -	$ -

During 2020, the Authority had three separate lines of credit outstanding from a local bank:

- Line of credit in the amount of $500,000. Original maturity in December 2011, renewed annually through final maturity in December 2020 and was not subsequently renewed; interest at 5%, payable at maturity.
- Line of credit in the amount of $250,000. Matures July 2019; extended through final maturity in July 2020 and was not subsequently renewed; interest at 5%, payable at maturity.
- Line of credit in the amount of $300,000. Matures February 2020; extended through final maturity in February 2021 and was not subsequently renewed; interest at 5.5%, payable at maturity.

No amounts were drawn on these lines of credit during 2021.

Note 8: Long-Term Obligations

The following is a summary of long-term obligation transactions for the Authority for the years ended June 30:

	2021				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Revenue Refunding Note, Series 2013	$ 4,934,806	$ -	$ (440,838)	$ 4,493,968	$ 456,400
Note payable to bank (A)	1,042,300	-	(1,042,300)	-	-
Note payable to bank (B)	-	1,442,017	-	1,442,017	13,722
Note payable to trust (C)	436,885	-	(88,517)	348,368	98,903
	$ 6,413,991	$ 1,442,017	$ (1,571,655)	$ 6,284,353	$ 569,025

	2020				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Revenue Refunding Note, Series 2013	$ 5,323,244	$ -	$ (388,438)	$ 4,934,806	$ 439,408
Note payable to bank (A)	-	1,042,300	-	1,042,300	458,409
Note payable to trust (C)	-	500,000	(63,115)	436,885	96,464
Note payable to bank (D)	53,095	512,000	(565,095)	-	-
	$ 5,376,339	$ 2,054,300	$ (1,016,648)	$ 6,413,991	$ 994,281

Revenue Refunding Note, Series 2013

The Sales Tax and Hospital Revenue Refunding Note, Series 2013 (the Revenue Refunding Note) in the original amount of $7,500,000 is dated August 1, 2013, and bears interest at 3.8%. Principal and interest are payable monthly starting October 2013 through June 2029 in the amount of $51,614 per month. Proceeds from the issuance of the Revenue Refunding Note were primarily used to refinance the outstanding balance of the Revenue Bonds Payable, Series 2005 (Series 2005 Bonds). The Revenue Refunding Note is secured by a pledge of the sales tax revenue and certain revenues derived from the operations of Share Medical Center.

The note indenture requires that certain funds be established with the trustee. Accordingly, these funds are included as assets held by trustee for debt service in the accompanying balance sheets. The note indenture also requires the Authority to comply with certain restrictive covenants, including maintaining an average annual debt service coverage ratio of at least 1.20 to 1.00 and restrictions on incurrence of additional debt.

In August 2013, the Authority issued the Revenue Refunding Note in the amount of $7,500,000 which, along with other available funds, was used to defease $7,280,000 of the outstanding Series

2005 Bonds by purchasing securities that were deposited in trust under an escrow agreement sufficient in amount to pay future principal, interest, and redemption premiums on the defeased bonds. This advanced refunding transaction resulted in an extinguishment of debt since the Authority was legally released from its obligation on the Series 2005 Bonds at the time of defeasance. Accordingly, the Series 2005 Bonds, aggregating $4,494,000 and $4,935,000 at June 30, 2021 and 2020, respectively, remain outstanding but are excluded from the Authority's balance sheets.

Aggregate cash flows on the refunded Series 2005 Bonds from the refunding date through maturity of the Revenue Refunding Note total approximately $10,738,000 while aggregate cash flows for the Revenue Refunding Note total approximately $10,014,000 resulting in a positive net cash flow differential for the refunding transaction of approximately $724,000. The economic gain (generally defined as the present value of the net cash flow discounted at the effective interest rate of the new debt) equals approximately $106,000.

The 2013 advance refunding transaction resulted in an accounting loss on the extinguishment of the long-term debt of approximately $572,000. This loss on refunding is shown as deferred outflows of resources on the accompanying balance sheets and is being amortized using the straight-line method over the life of the respective new bond issue.

The Revenue Refunding Note debt service requirements as of June 30, 2021, are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2022	$ 619,368	$ 456,400	$ 162,968
2023	619,367	474,048	145,319
2024	619,367	492,379	126,988
2025	619,368	511,419	107,949
2026	619,368	531,195	88,173
2027–2029	2,166,593	2,028,527	138,066
	$ 5,263,431	$ 4,493,968	$ 769,463

Notes Payable

(A) Received under the Small Business Administration (SBA) Paycheck Protection Program (PPP). The note was issued in April 2020 and is due in April 2022, with principal and interest at 1% payable monthly beginning seven months from the note date to the extent the loan is not forgiven. In March 2021, the Authority received notification that this loan had been forgiven. See *Note 17* for further discussion on this note payable.

(B) Second note received under the SBA PPP. Issued in February 2021 and due in February 2026, with principal and interest at 1% payable monthly beginning 16 months from the note date to the extent the loan is not forgiven. See *Note 17* for further discussion on this note payable.

(C) Received from the Charles Morton Share Trust. The note was issued in November 2019 and is due in November 2024, with principal and interest at 2.5% payable monthly beginning December 2019.

(D) Due December 2020, principal and interest at 4.5% (beginning December 2015), payable monthly, secured by certain equipment. This note was paid in full during 2020.

The notes payable debt service requirements as of June 30, 2021, are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2022	$ 139,554	$ 112,625	$ 26,929
2023	503,324	485,719	17,605
2024	503,325	492,145	11,180
2025	441,208	436,168	5,040
2026	264,636	263,728	908
	$ 1,852,047	$ 1,790,385	$ 61,662

Note 9: Charity Care

In support of its mission, the Authority voluntarily provides free care to patients who lack financial resources and are deemed to be medically indigent. Because the Authority does not pursue collection of amounts determined to qualify as charity care, they are not reported in net patient service revenue.

The costs of charity care provided under the Authority's charity care policy were $43,000 and $100,000 for 2021 and 2020, respectively. The cost of uncompensated care is estimated by applying the ratio of costs to gross charges to the gross uncompensated charges from the most recent Medicare cost report.

In addition to uncompensated charges, the Authority also commits significant time and resources to endeavors and critical services that meet otherwise unfilled community needs. Many of these activities are sponsored with the knowledge that they will not be self-supporting or financially viable. Such programs include health screenings and assessments, community educational services, and various support groups.

Note 10: Pension Plan

The Authority sponsors a defined contribution pension plan covering substantially all employees. Pension expense is recorded for the amount of the Authority's required contributions, determined in accordance with the terms of the plan. The plan is administered by the Authority's Board of Trustees. The plan provides retirement benefits to plan members and their beneficiaries. Benefit provisions are contained in the plan document and were established and can be amended by action of the Authority's governing body. The Authority did not make any contributions to the plan during 2021 or 2020. At June 30, 2021 and 2020, contribution rates for plan members expressed as a percentage of covered payroll were 2.0% and 2.2%, respectively. Contributions actually made by plan members during 2021 and 2020 were approximately $163,000 and $157,000, respectively.

Note 11: Interest in Assets at Communities Foundation of Oklahoma, Inc.

The Foundation has transferred assets to Communities Foundation of Oklahoma, Inc. (the Communities Foundation) and retained a beneficial interest in those assets. The Foundation is entitled to receive the interest annually. The Foundation may request a return of principal funds contributed to the Communities Foundation in accordance with the agency fund agreement. The Foundation has granted variance power to the Communities Foundation's board of directors to modify any restriction of the donor as to distributions of the funds if the board of directors determines such restrictions to be unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The fair value of the retained beneficial interest included in the accompanying balance sheets was $338,566 and $265,166 at June 30, 2021 and 2020, respectively.

Because the Communities Foundation has variance power over contributions received from third parties amounting to $58,200 and $47,100 at June 30, 2021 and 2020, respectively, these amounts are not reported as assets by the Foundation even though the Foundation is designated as a beneficiary by the donors.

Note 12: Disclosures About Fair Value of Assets

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Authority has the following recurring fair value measurements as of June 30, 2021 and 2020:

- Money market mutual funds of $361,155 as of June 30, 2021 and 2020, are valued using quoted market prices (Level 1 inputs).
- Interest in assets at the Communities Foundation of $338,566 and $265,166 as of June 30, 2021 and 2020, respectively, is valued using net asset value (NAV). See *Note 11* for further information. There are no unfunded commitments as of June 30, 2021 and 2020.

Note 13: Contingencies

Litigation

In the normal course of business, the Authority is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Authority's commercial insurance, for example, allegations regarding employment practices or performance of contracts. The Authority evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Note 14: Combining Component Unit Information

As described in *Note 1*, the Authority's sole activity is to operate Share Medical Center. The Foundation is a blended component unit of the Authority.

The following tables include combining balance sheet information for the Authority and its blended component unit as of June 30:

	2021			
	Authority	Foundation	Eliminations	Combined Total
Assets and Deferred Outflows of Resources				
Current Assets				
Cash	$ 4,706,061	$ 56,709	$ -	$ 4,762,770
Patient accounts receivable, net	1,424,307	-	-	1,424,307
Other receivables	186,179	-	-	186,179
Estimated amounts due from third-party payors	423,188	-	-	423,188
Supplies	220,881	-	-	220,881
Prepaid expenses and other	134,326	-	-	134,326
Total current assets	7,094,942	56,709	-	7,151,651
Noncurrent Cash and Cash Equivalents				
Held by trustee for debt service	361,155	-	-	361,155
Restricted for capital acquisitions	-	106,397	-	106,397
Restricted for specific operating activities	39,024	112,908	-	151,932
	400,179	219,305	-	619,484
Capital Assets, Net	11,527,784	-	-	11,527,784
Deferred Outflows of Resources	307,388	-	-	307,388
Interest in Assets at Communities Foundation of Oklahoma, Inc.	-	338,566	-	338,566
Total assets and deferred outflows of resources	$ 19,330,293	$ 614,580	$ -	$ 19,944,873

	2021			
	Authority	Foundation	Eliminations	Combined Total
Liabilities and Net Position				
Current Liabilities				
Current maturities of long-term debt	$ 569,025	$ -	$ -	$ 569,025
Accounts payable	388,067	-	-	388,067
Accrued expenses	809,417	-	-	809,417
Unearned grant revenue	623,128	-	-	623,128
Estimated amounts due to third-party payors	1,113,188	-	-	1,113,188
Total current liabilities	3,502,825	-	-	3,502,825
Other Liabilities				
Long-term debt	5,715,328	-	-	5,715,328
Total other liabilities	5,715,328	-	-	5,715,328
Total liabilities	9,218,153	-	-	9,218,153
Net Position				
Net investment in capital assets	7,341,204	-	-	7,341,204
Restricted – expendable for				
Debt service	52,638	-	-	52,638
Capital acquisitions	-	106,397	-	106,397
Specific operating activities	39,024	112,908	-	151,932
Unrestricted	2,679,274	395,275	-	3,074,549
Total net position	10,112,140	614,580	-	10,726,720
Total liabilities and net position	$ 19,330,293	$ 614,580	$ -	$ 19,944,873

	2020			
	Authority	Foundation	Eliminations	Combined Total
Assets and Deferred Outflows of Resources				
Current Assets				
Cash	$ 5,918,919	$ 34,348	$ -	$ 5,953,267
Patient accounts receivable, net	1,807,360	-	-	1,807,360
Other receivables	171,770	-	-	171,770
Estimated amounts due from third-party payors	454,083	-	-	454,083
Supplies	209,951	-	-	209,951
Prepaid expenses and other	119,229	-	-	119,229
Total current assets	8,681,312	34,348	-	8,715,660
Noncurrent Cash and Cash Equivalents				
Held by trustee for debt service	361,155	-	-	361,155
Restricted for capital acquisitions		5,519	-	5,519
Restricted for specific operating activities	31,325	71,129	-	102,454
	392,480	76,648	-	469,128
Capital Assets, Net	10,764,644	-	-	10,764,644
Deferred Outflows of Resources	341,542	-	-	341,542
Interest in Assets at Communities Foundation of Oklahoma, Inc.	-	265,166	-	265,166
Total assets and deferred outflows of resources	$ 20,179,978	$ 376,162	$ -	$ 20,556,140

	2020			
	Authority	Foundation	Eliminations	Combined Total
Liabilities and Net Position				
Current Liabilities				
Current maturities of long-term debt	$ 994,281	$ -	$ -	$ 994,281
Accounts payable	439,208	-	-	439,208
Accrued expenses	708,643	-	-	708,643
Unearned grant revenue	3,768,157	-	-	3,768,157
Estimated amounts due to third-party payors	1,414,083	-	-	1,414,083
Total current liabilities	7,324,372	-	-	7,324,372
Long-Term Debt	5,419,710	-	-	5,419,710
Total liabilities	12,744,082	-	-	12,744,082
Net Position				
Net investment in capital assets	6,171,380	-	-	6,171,380
Restricted – expendable for				
Debt service	52,043	-	-	52,043
Capital acquisitions	-	5,519	-	5,519
Specific operating activities	31,325	71,129	-	102,454
Unrestricted	1,181,148	299,514	-	1,480,662
Total net position	7,435,896	376,162	-	7,812,058
Total liabilities and net position	$ 20,179,978	$ 376,162	$ -	$ 20,556,140

The following tables include combining statements of revenues, expenses, and changes in net position information for the Authority and its blended component unit for the years ended June 30:

	2021			
	Authority	Foundation	Eliminations	Combined Total
Operating Revenues				
Net patient service revenue, net of provision for uncollectible accounts	$ 12,560,507	$ -	$ -	$ 12,560,507
Other	917,987	-	-	917,987
Total operating revenues	13,478,494	-	-	13,478,494
Operating Expenses				
Salaries and wages	8,250,527	-	-	8,250,527
Employee benefits	1,289,498	-	-	1,289,498
Purchased services and professional fees	2,840,210	-	-	2,840,210
Supplies and other	3,568,672	14,543	(8,410)	3,574,805
Depreciation	645,318	-	-	645,318
Total operating expenses	16,594,225	14,543	(8,410)	16,600,358
Operating Loss	(3,115,731)	(14,543)	8,410	(3,121,864)
Nonoperating Revenues (Expenses)				
Investment income	17,232	75,926	-	93,158
Noncapital gifts	26,032	76,042	(8,410)	93,664
Noncapital appropriations – City of Alva	1,253,327	-	-	1,253,327
Forgiveness of debt	1,042,300	-	-	1,042,300
Interest expense	(222,646)	-	-	(222,646)
Government grants	3,675,730	-	-	3,675,730
Total nonoperating revenues (expenses)	5,791,975	151,968	(8,410)	5,935,533
Excess of Revenues over Expenses Before Capital Grants and Gifts	2,676,244	137,425	-	2,813,669
Capital Grants and Gifts	-	100,993	-	100,993
Increase in Net Position	2,676,244	238,418	-	2,914,662
Net Position, Beginning of Year	7,435,896	376,162	-	7,812,058
Net Position, End of Year	$ 10,112,140	$ 614,580	$ -	$ 10,726,720

	2020			
	Authority	Foundation	Eliminations	Combined Total
Operating Revenues				
Net patient service revenue, net of provision for uncollectible accounts	$ 11,601,483	$ -	$ -	$ 11,601,483
Other	1,057,957	-	-	1,057,957
Total operating revenues	12,659,440	-	-	12,659,440
Operating Expenses				
Salaries and wages	7,018,082	-	-	7,018,082
Employee benefits	1,009,497	-	-	1,009,497
Purchased services and professional fees	1,994,629	-	-	1,994,629
Supplies and other	3,057,138	64,948	(59,218)	3,062,868
Depreciation	576,454	-	-	576,454
Total operating expenses	13,655,800	64,948	(59,218)	13,661,530
Operating Loss	(996,360)	(64,948)	59,218	(1,002,090)
Nonoperating Revenues (Expenses)				
Investment income	10,286	6,488	-	16,774
Noncapital gifts	565,176	28,227	(59,218)	534,185
Noncapital appropriations – City of Alva	1,312,550	-	-	1,312,550
Interest expense	(277,503)	-	-	(277,503)
Total nonoperating revenues (expenses)	1,610,509	34,715	(59,218)	1,586,006
Excess (Deficiency) of Revenues over Expenses Before Capital Grants and Gifts	614,149	(30,233)	-	583,916
Capital Grants and Gifts	-	819	-	819
Increase (Decrease) in Net Position	614,149	(29,414)	-	584,735
Net Position, Beginning of Year	6,821,747	405,576	-	7,227,323
Net Position, End of Year	$ 7,435,896	$ 376,162	$ -	$ 7,812,058

The following tables include condensed combining statements of cash flows information for the Authority and its blended component unit for the years ended June 30:

	2021			
	Authority	Foundation	Eliminations	Combined Total
Net Cash Used in Operating Activities	$ (2,339,753)	$ (14,543)	$ -	$ (2,354,296)
Net Cash Provided by Noncapital Financing Activities	2,965,209	76,042	-	3,041,251
Net Cash Provided by (Used in) Capital and Related Financing Activities	(1,847,847)	100,993	-	(1,746,854)
Net Cash Provided by Investing Activities	17,232	2,526	-	19,758
Increase (Decrease) in Cash and Cash Equivalents	(1,205,159)	165,018	-	(1,040,141)
Cash and Cash Equivalents, Beginning of Year	6,311,399	110,996	-	6,422,395
Cash and Cash Equivalents, End of Year	$ 5,106,240	$ 276,014	$ -	$ 5,382,254

	2020			
	Authority	Foundation	Eliminations	Combined Total
Net Cash Provided by (Used in) Operating Activities	$ 529,629	$ (64,948)	$ -	$ 464,681
Net Cash Provided by Noncapital Financing Activities	6,147,297	28,227	-	6,175,524
Net Cash Provided by (Used in) Capital and Related Financing Activities	(904,149)	819	-	(903,330)
Net Cash Provided by Investing Activities	10,286	1,700	-	11,986
Increase (Decrease) in Cash	5,783,063	(34,202)	-	5,748,861
Cash and Cash Equivalents, Beginning of Year	528,336	145,198	-	673,534
Cash and Cash Equivalents, End of Year	$ 6,311,399	$ 110,996	$ -	$ 6,422,395

Note 15: Management's Consideration of Going Concern Matters

The Authority has incurred significant operating losses since 2010. Management implemented multiple plans to address this as the hospital was converted to a CAH in 2019 and a 340B was set up throughout 2020 and 2021. Additionally, the hospital saw increased reimbursement for certain nursing home residents based on statewide changes to reimbursement under the Oklahoma Medicaid program and is evaluating several alternatives for mitigating these conditions during the next year, including reviewing expenses and hiring additional staff to replace contract staffing. However, there can be no assurance that the Authority will be successful in achieving its objectives.

The accompanying financial statements have been prepared assuming the Authority will continue as a going concern; however, the above conditions raise substantial doubt about the Authority's ability to do so. The accompanying financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result should the Authority be unable to continue as a going concern.

Note 16: Future Change in Accounting Principles

Accounting for Leases

With the issuance of GASB Statement No. 87, *Leases*, GASB amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both an intangible asset and a liability. GASB 87 removes the classification of leases between two categories, and all leases will be recorded the same on the statement of revenues, expenses, and changes in net position. GASB 87 also contains amended guidance regarding the identification of lease and non-lease components in an arrangement. GASB 87 is effective for the Authority's fiscal year ending June 30, 2022. The Authority is evaluating the impact GASB 87 will have on the financial statements; however, GASB 87 is expected to have a material impact on the financial statements due to the recognition of additional assets and liabilities for operating leases.

Note 17: COVID-19 Pandemic and CARES Act Funding

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 as a global pandemic.

The extent of the COVID-19 pandemic's adverse effect on the Authority's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the Authority's control and ability to forecast.

Because of these and other uncertainties, the Authority cannot estimate the length or severity of the effect of the pandemic on the Authority's business. Decreases in cash flows and results of operations may have an effect on the inputs and assumptions used in significant accounting estimates, including estimated bad debts and contractual adjustments related to uninsured and other patient accounts.

Provider Relief Fund

During the years ended June 30, 2021 and 2020, the Authority received approximately $436,000 and $3,800,000, respectively, of distributions from the CARES Act Provider Relief Fund. Subsequent to year-end, the Authority received additional funding of approximately $454,000 related to CARES Act funding. These distributions from the Provider Relief Fund are not subject to repayment, provided the Authority is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by the U.S. Department of Health and Human Services (HHS).

The Authority is accounting for such payments as conditional contributions. Payments are recognized as contribution revenue once the applicable terms and conditions required to retain the funds have been met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the Authority's operating revenues and expenses through year-end, the Authority recognized approximately $3,676,000 and $0, respectively, during the years ended June 30, 2021 and 2020, related to the Provider Relief Fund, and these payments are recorded as nonoperating revenue – government grants in the accompanying statements of revenues, expenses, and changes in net position. The unrecognized amount of Provider Relief Fund distributions are recorded as part of unearned grant revenue in the accompanying balance sheets.

Guidance for reporting use of Provider Relief Fund payments received has changed significantly since distributions were authorized through the CARES Act in March 2020. The Hospital has evaluated the "Post-Payment Notice of Reporting Requirements" (Notice) and the Frequently Asked Questions (FAQs) issued by HHS subsequent to June 30, 2021, in accordance with GASB Codification Section 2250 and has concluded that any impact of the July 1, 2021, FAQs would be recognized.

The Authority has recognized revenue from the Provider Relief Fund based on guidance issued by HHS as of June 30, 2021, and any clarifications issued by HHS subsequent to year-end, including any referenced above as recognized subsequent events. For guidance issued subsequent to June 30, 2021, considered nonrecognized subsequent events, the Authority has reviewed this guidance and cannot currently estimate the impact on the amount of Provider Relief Fund the Authority has recognized through June 30, 2021, but the impact could be material. The Authority will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the Authority's revenues and expenses. The terms and conditions governing the Provider Relief Fund are complex and subject to interpretation and change. If the Authority is unable to attest to or comply with current or future terms and conditions, the Authority's ability to retain some or all of the distributions received may be affected. Additionally, the amounts recorded in the financial statements compared to the Authority's Provider Relief Fund reporting could differ. Provider Relief Fund payments are subject to government oversight, including potential audits.

Medicare Accelerated and Advance Payment Program

During the year ended June 30, 2020, the Authority requested accelerated Medicare payments as provided for in the CARES Act, which allows for eligible health care facilities to request up to six months of advance Medicare payments for acute care hospitals or up to three months of advance Medicare payments for other health care providers. These amounts are expected to be recaptured by CMS according to the payback provisions.

Effective September 30, 2020, the payback provisions were revised and extended the payback period to begin one year after the issuance of the advance payment through a phased payback period approach. The first 11 months of the payback period will be at 25% of the remittance advice payment followed by a six-month payback period at 50% of the remittance advice payment. After 29 months, CMS expects any amount not paid back through the withhold amounts to be paid back in a lump sum or interest will begin to accrue subsequent to the 29th month at a rate of 4%.

During the year ended June 30, 2020, the Authority received approximately $1,414,000 from these accelerated Medicare payment requests. During the years ended June 30, 2021 and 2020, Medicare has applied approximately $301,000 and $0, respectively, from these accelerated Medicare payment requests against filed claims. As of June 30, 2021 and 2020, all of accelerated Medicare payment requests are recorded as current liabilities under the caption estimated amounts due to third-party payors in the accompanying consolidated balance sheets.

Paycheck Protection Program Loan

The CARES Act and other subsequent legislation also provides an SBA loan designed to provide a direct incentive for small businesses to keep their workers on the payroll. The PPP loans will be forgiven if all employee retention criteria are met and the funds are used for eligible expenses. The Authority received the first PPP loan of approximately $1,042,000 in April 2020. The loan has an interest rate of 1%, with payments of approximately $59,000 due monthly starting in November 2020. The loan was forgiven on March 30, 2021. In February 2021, the Authority received a second PPP loan for approximately $1,442,000. The loan has an interest rate of 1%, with payments of approximately $33,000 due monthly starting in June 2022. The second PPP loan was forgiven on March 22, 2022.

The Authority is accounting for the PPP loans in accordance with GASB Statement No. 62. Interest is accrued in accordance with the loan agreement. Any forgiveness of the loan will be recognized as a gain in the financial statements in the period the debt is legally released. The forgiveness of the first PPP loan is included on the accompanying statements of revenues, expenses, and changes in net position as forgiveness of debt in nonoperating revenues. The second PPP loan is included on the accompanying balance sheets as long-term debt in accordance with the term of the PPP loan agreement. See *Note 8* for additional information.

Note 18: Subsequent Event

In June 2020, voters in Oklahoma passed a Medicaid expansion ballot initiative. Medicaid expansion in Oklahoma goes into effect on July 1, 2021. While it is difficult to estimate the impact of Medicaid expansion, it is projected to significantly increase the number of Oklahoma residents eligible for Medicaid benefits. The impact to the Authority as a result of Medicaid expansion cannot be currently estimated but could be material.

In addition to the increased number of Oklahoma residents that will be eligible for Medicaid benefits, the SHOPP described in *Note 1* will also increase with the additional federal funds provided to the Medicaid program. It is currently estimated that SHOPP revenue could increase by 20%–25% in fiscal year 2022 and beyond.

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

Independent Auditor's Report

Board of Trustees
Alva Hospital Authority
d/b/a Share Medical Center
Alva, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Alva Hospital Authority d/b/a Share Medical Center (the Authority), which comprise the balance sheet as of June 30, 2021, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 23, 2022, which contained an *Emphasis of Matter* paragraph regarding substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time and an *Other Matter* paragraph regarding omission of required supplementary information.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2021-01, that we consider to be a material weakness.

Compliance and Other Matters

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

Authority's Response to the Finding

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

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

FORVIS, LLP

Tulsa, Oklahoma
June 23, 2022

Alva Hospital Authority
d/b/a Share Medical Center
Schedule of Findings and Responses
Year Ended June 30, 2021

Reference Number	Finding
2021-01	Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting and significant estimates in the financial statements. Condition – Errors were identified in several balance sheet, operating revenue, and operating expense accounts, which required adjusting journal entries to correct misstatements related to differences in account reconciliations, control accounts not reconciling to the supporting documentation, and inaccuracies in the development of significant estimates in the accompanying financial statements. Effect – Potentially material misstatements in the accompanying financial statements or material misappropriation of assets could occur and not be prevented or detected in a timely manner. Cause – The reconciliation processes in place were not sufficient to properly record balances. In addition, the process of preparing estimates of allowances for contractual adjustments and bad debts was inadequate. Recommendation – Management should revise the monthly procedures of evaluation and reconciliation of the general ledger accounts to underlying supporting documents and computing key significant estimates. Additionally, management should implement additional review procedures for reconciliations and significant estimates. Views of Responsible Officials and Planned Corrective Actions – Management concurs with the finding and recommendation. Management will take steps to periodically review the material balance sheet account reconciliations and periodically evaluate the methodologies used in accurately estimating allowances and estimates.