



# **Hospital Development Company (d/b/a Roane General Hospital)**

Financial Report

September 30, 2021

## CONTENTS

---

Independent Auditor's Report	1 - 2
------------------------------	-------

---

### Financial Statements:

Balance Sheets	3
Statements of Operations and Changes in Net Assets	4
Statements of Cash Flows	5 - 6
Notes to Financial Statements	7 - 24

---

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .	25 - 26
---	---------

---



Baker Tilly US, LLP  
101 Washington Street, East  
P.O. Box 2629  
Charleston, WV 25329  
United States of America

T: +1 (304) 346 0441  
F: +1 (304) 346 8333  
bakertilly.com

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Hospital Development Company  
(d/b/a Roane General Hospital)  
Spencer, West Virginia

### Report on the Financial Statements

We have audited the accompanying financial statements of Hospital Development Company (d/b/a Roane General Hospital) (Hospital), which comprise the balance sheets as of September 30, 2021 and 2020, and the related statements of operations and 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. For the year ended September 30, 2021, we also conducted our audit in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The September 30, 2020, financial statements were not audited in accordance with *Government Auditing Standards*. 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 Hospital Development Company (d/b/a Roane General Hospital) as of September 30, 2021 and 2020, and the results of its operations, changes in net assets, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2022, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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 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 Hospital Development Company's (d/b/a Roane General Hospital) internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

Charleston, West Virginia  
January 6, 2022

**HOSPITAL DEVELOPMENT COMPANY**  
**(d/b/a ROANE GENERAL HOSPITAL)**

**BALANCE SHEETS**  
**September 30, 2021 and 2020**

	2021	2020
<b>ASSETS</b>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,723,367	\$ 8,493,844
Investments	3,271,587	3,287,320
Assets limited as to use	240,038	2,155,982
Patient accounts receivable	5,337,204	4,624,821
Supplies inventory	1,104,591	722,221
Other receivables	186,818	250,684
Prepaid expenses and other assets	188,534	150,165
<b>Total current assets</b>	<b>16,052,139</b>	<b>19,685,037</b>
INTEREST IN NET ASSETS OF ROANE GENERAL HOSPITAL FOUNDATION	780,900	932,581
ASSETS LIMITED AS TO USE, net of amounts to be used for current obligations	2,307,588	11,873,466
PROPERTY AND EQUIPMENT, net	33,088,292	22,237,384
OPERATING LEASE RIGHT-OF-USE ASSETS	24,522	-
OTHER RECEIVABLE - CHART	616,473	616,473
<b>Total assets</b>	<b>\$ 52,869,914</b>	<b>\$ 55,344,941</b>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES		
Accounts payable and other current liabilities	\$ 2,488,091	\$ 3,418,263
Current maturities of long-term obligations	884,146	434,951
Employee compensation, payroll withholdings, and taxes and benefits payable	2,407,595	2,709,060
Estimated third-party payor settlements	4,780,536	4,679,225
<b>Total current liabilities</b>	<b>10,560,368</b>	<b>11,241,499</b>
LONG-TERM OBLIGATIONS, less current maturities	22,374,855	26,609,974
ESTIMATED MALPRACTICE COSTS	1,307,000	1,420,000
<b>Total liabilities</b>	<b>34,242,223</b>	<b>39,271,473</b>
NET ASSETS		
Without donor restrictions	18,324,143	15,789,388
With donor restrictions	303,548	284,080
<b>Total net assets</b>	<b>18,627,691</b>	<b>16,073,468</b>
<b>Total liabilities and net assets</b>	<b>\$ 52,869,914</b>	<b>\$ 55,344,941</b>

See Notes to Financial Statements

**HOSPITAL DEVELOPMENT COMPANY  
(d/b/a ROANE GENERAL HOSPITAL)**

**STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS  
Years Ended September 30, 2021 and 2020**

	2021	2020
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
Revenue, gains, and other support:		
Net patient service revenue	\$ 42,197,267	\$ 34,755,455
Other operating revenue	3,022,763	3,196,024
Provider Relief Funds and other	428,933	5,089,500
<b>Total revenue, gains, and other support</b>	<b>45,648,963</b>	<b>43,040,979</b>
Expenses:		
Salaries and wages	20,676,885	18,917,272
Payroll taxes and benefits	6,086,118	5,771,657
Professional medical fees	3,877,177	2,918,284
Supplies and other expenses	14,335,405	12,799,770
Interest	282,412	224,087
Depreciation and amortization	1,466,204	1,389,372
<b>Total expenses</b>	<b>46,724,201</b>	<b>42,020,442</b>
<b>Operating income (loss)</b>	<b>(1,075,238)</b>	<b>1,020,537</b>
Non-operating revenue (loss):		
Investment income	262,315	261,420
Net unrealized gain (loss) on investments	(29,843)	168,212
Paycheck Protection Program loan forgiveness	3,548,500	-
<b>Total non-operating revenue</b>	<b>3,780,972</b>	<b>429,632</b>
<b>Excess of revenue, gains, and other support over expenses</b>	<b>2,705,734</b>	<b>1,450,169</b>
Other changes in net assets without donor restrictions:		
Change in interest in net assets of Roane General Hospital Foundation	(170,979)	238,726
<b>Increase in net assets without donor restrictions</b>	<b>2,534,755</b>	<b>1,688,895</b>
<b>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS</b>		
Interest income	170	376
Change in interest in net assets of Roane General Hospital Foundation	19,298	3,786
<b>Increase in net assets with donor restrictions</b>	<b>19,468</b>	<b>4,162</b>
<b>Change in net assets</b>	<b>\$ 2,554,223</b>	<b>\$ 1,693,057</b>

See Notes to Financial Statements

**HOSPITAL DEVELOPMENT COMPANY**  
**(d/b/a ROANE GENERAL HOSPITAL)**

**STATEMENTS OF CASH FLOWS**  
**Years Ended September 30, 2021 and 2020**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 2,554,223	\$ 1,693,057
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,466,204	1,389,372
Amortization of debt issuance costs	204,530	190,289
Forgiveness of Paycheck Protection Program loan	(3,548,500)	-
Loss on sale of equipment	44,862	-
(Gain) loss on investments	29,843	(168,212)
Change in interest in net assets of Roane General Hospital Foundation	151,681	(242,512)
Change in assets and liabilities:		
(Increase) decrease in patient accounts receivable	(712,383)	138,730
(Increase) in supplies inventory	(382,370)	(173,633)
(Increase) decrease in other receivables	63,866	(24,385)
(Increase) in prepaid expenses and other assets	(38,369)	(13,021)
Increase (decrease) in accounts payable and other current liabilities	(954,694)	274,869
Increase (decrease) in employee compensation, payroll withholdings, and taxes and benefits payable	(301,465)	246,445
Increase (decrease) in estimated third-party payor settlements	101,311	(76,861)
(Decrease) in estimated malpractice costs	(113,000)	(74,607)
<b>Net cash provided by (used in) operating activities</b>	<b>(1,434,261)</b>	<b>3,159,531</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments, net	(229,643)	(98,424)
Purchase of property and equipment	(12,361,974)	(10,515,549)
<b>Net cash (used in) investing activities</b>	<b>(12,591,617)</b>	<b>(10,613,973)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on long-term debt obligations	(441,954)	(1,995,927)
Proceeds from issuance of debt	-	27,161,008
Deferred financing cost	-	(642,508)
<b>Net cash provided by (used in) financing activities</b>	<b>(441,954)</b>	<b>24,522,573</b>
<b>Net increase (decrease) in cash and cash equivalents and restricted cash</b>	<b>(14,467,832)</b>	<b>17,068,131</b>
Cash and cash equivalents and restricted cash:		
Beginning	20,634,268	3,566,137
Ending	\$ 6,166,436	\$ 20,634,268

See Notes to Financial Statements

**HOSPITAL DEVELOPMENT COMPANY  
(d/b/a ROANE GENERAL HOSPITAL)**

**STATEMENTS OF CASH FLOWS (CONTINUED)  
Years Ended September 30, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
Cash and cash equivalents and restricted cash include:		
Cash and cash equivalents	\$ 5,723,367	\$ 8,493,844
Restricted cash in assets limited as to use	416,319	12,116,836
Restricted cash in investments	26,750	23,588
	<u>\$ 6,166,436</u>	<u>\$ 20,634,268</u>
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for interest	<u>\$ 317,920</u>	<u>\$ 325,021</u>
 SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Increase in purchase of property and equipment through increase in accounts payable and other payables	<u>\$ -</u>	<u>\$ 1,915,967</u>

*See Notes to Financial Statements*

**HOSPITAL DEVELOPMENT COMPANY  
(d/b/a ROANE GENERAL HOSPITAL)**

**NOTES TO FINANCIAL STATEMENTS**

---

**Note 1. Nature of Operations and Significant Accounting Policies**

**Nature of operations:** Hospital Development Company (d/b/a Roane General Hospital) (Hospital), located in Spencer, West Virginia, is a not-for-profit acute care hospital. The Hospital provides acute inpatient, emergency, long-term nursing care, and physician clinic medical services to the residents of Roane County and surrounding areas.

A summary of significant accounting policies is as follows:

**Basis of accounting:** The financial statements of the Hospital have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America whereby revenue is recognized when earned and expenses are recognized when incurred.

**Use of estimates:** The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates used in preparing these financial statements include those assumed in determining the implicit and explicit price concessions, estimated third-party payor settlements, accrued health insurance costs, fair value of investments, depreciable lives of property and equipment, and accrued medical malpractice costs. It is at least reasonably possible that the significant estimates used will change within the next year.

**Cash and cash equivalents:** For purposes of reporting the statements of cash flows, the Hospital considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents.

**Patient accounts receivable:** Patient accounts receivable are carried at estimated net realizable value taking into account estimated implicit and explicit price concessions. The estimated implicit price concessions are based upon management's judgmental assessment of historical and expected net collections considering business and general economic conditions in its service area, trends in health care coverage, and other collection indicators. For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for explicit price concessions, if necessary. Throughout the year, management assesses the adequacy of the estimated price concessions based upon its review of accounts receivable payor composition and aging, taking into consideration recent experience by payor category, payor agreement rate changes, and other factors. The results of these assessments are used to make modifications to patient service revenue and to establish an appropriate estimate for price concessions. The Hospital follows established guidelines for placing certain past-due patient balances with external collection agencies.

**Supplies inventory:** Supplies inventory, which consists of medical, pharmacy, dietary, housekeeping, and other supplies, is valued at the lower of cost or net realizable value using the first-in, first-out method. Net realizable value is the estimated selling price used in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation.

**Investments:** Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value on the balance sheets. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the excess of revenue, gains, and other support over expenses unless the income or loss is restricted by donor or law.

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

**HOSPITAL DEVELOPMENT COMPANY  
(d/b/a ROANE GENERAL HOSPITAL)**

**NOTES TO FINANCIAL STATEMENTS**

---

**Assets limited as to use:** Assets limited as to use include self-insurance trust funds, construction funds held by trustees under an endowment agreement, and designated assets set aside by the Board of Trustees, over which the Board retains control. Amounts required to meet current liabilities of the Hospital have been classified as current on the balance sheets as of September 30, 2021 and 2020.

**Property and equipment:** Property and equipment acquisitions are recorded at cost. The Hospital calculates depreciation on the straight-line method based on the estimated useful life of each class of depreciable asset. Equipment under capital lease obligation is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. Interest cost incurred on funds borrowed for the purposes of construction of capital assets is capitalized during the period of construction as a component of the cost of acquiring those assets.

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

**Statements of operations and changes in net assets:** For purposes of presentation, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as revenue and expenses. Peripheral or incidental transactions are reported as non-operating revenue (loss).

**Net assets:** Net assets, revenue, gains, and losses are classified on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor restrictions. All contributions not restricted by donors and donor restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor restrictions.

Net assets with donor restrictions: Net assets with donor restrictions result from contributions, grants, or other inflows of net assets whose use by the Hospital is limited by donor or grantor imposed stipulations that either expire by passage of time or other events specified by the donor. Other donor imposed restrictions may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the asset is placed into service. 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.

**Excess of revenue, gains, and other support:** The statements of operations and changes in net assets include excess of revenue, gains, and other support over expenses. Changes in net assets without donor restrictions, when present, which are excluded from excess of revenue, gains, and other support over expenses, consistent with industry practice, includes change in interest in net assets of Roane General Hospital Foundation.

**Net patient service revenue:** Net patient service revenue is reported at the amount that reflects the consideration to which the Hospital expects to be entitled to in exchange for providing patient care and is recognized as performance obligations are satisfied. These amounts 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 or the patient is discharged from the facility. Performance obligations associated with inpatient services are satisfied over time and are recognized based on actual charges incurred in relation to total

**HOSPITAL DEVELOPMENT COMPANY  
(d/b/a ROANE GENERAL HOSPITAL)**

**NOTES TO FINANCIAL STATEMENTS**

---

expected charges. The Hospital measures the performance obligation 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. 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. Performance obligations associated with outpatient services are satisfied at the time services are rendered.

The Hospital determines the transaction price based on standard charges for goods and services provided, reduced by explicit price concessions provided to third-party payors, discounts provided to uninsured patients in accordance with the Hospital's policy, and implicit price concessions provided to uninsured patients. The Hospital determines its estimates of explicit price concessions 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. The Hospital has agreements with third-party payors that provide for reimbursement to the Hospital at amounts different from its established rates. Explicit price concessions under third-party reimbursement programs represent the difference between the Hospital billings at established rates for services and amounts reimbursed by third-party payors.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Hospital has elected to apply the optional exemption provided in the authoritative guidance and, therefore, is not required to disclose the aggregate amount of the transaction prices 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 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 has applied the practical expedient and all incremental customer contract acquisition costs are expensed as they are incurred, as the amortization period of the asset that the Hospital otherwise would have recognized is one year or less in duration.

A summary of the payment arrangements with major third-party payors follows:

Medicare – Inpatient acute care services and most outpatient services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology. The Hospital receives reimbursement at 101% of allowable costs less a sequestration reduction of 2% for Medicare inpatient, swing bed, and outpatient services. Other outpatient services are paid based on fee schedules.

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

Medicaid – Inpatient and most outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and review thereof by the Medicaid fiscal intermediary. Other outpatient services are reimbursed based upon the lesser of the Hospital's charge or predetermined fee schedule amounts.

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.

**HOSPITAL DEVELOPMENT COMPANY  
(d/b/a ROANE GENERAL HOSPITAL)**

**NOTES TO FINANCIAL STATEMENTS**

---

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Hospital's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Hospital. In addition, the contracts the Hospital has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, review, or investigations are considered variable consideration and are included in the determination of 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. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

The Hospital provides services to uninsured patients and offers those uninsured patients a discount from standard charges. Patients who are covered by third-party payors are responsible for related deductibles and coinsurance. 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. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense. Bad debt expense for the years ended September 30, 2021 and 2020, was not considered material.

The Hospital has elected the practical expedient allowed under Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) 606-10-32-18 and does not adjust 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 a third-party payor pays for that service will be one year or less. However, the Hospital does, in rare instances, enter into payment agreements 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.

Patients who meet the Hospital's criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as charity care are not reported as revenue.

The Hospital has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are primarily affected by the payor and service line. Because all of the Hospital's revenue originates in the same general geographic area, it was not considered to be a factor.

The tables on the following page provide details of these factors.

**HOSPITAL DEVELOPMENT COMPANY  
(d/b/a ROANE GENERAL HOSPITAL)**

**NOTES TO FINANCIAL STATEMENTS**

The Hospital's net patient service revenue by primary payor during the years ended September 30 are as follows:

	2021		2020	
Medicare, including managed care	\$ 21,756,085	52 %	\$ 16,972,114	49 %
Medicaid, including managed care	11,103,201	26	10,313,843	30
Private pay and other	9,337,981	22	7,469,498	21
	<b>\$ 42,197,267</b>	<b>100 %</b>	<b>\$ 34,755,455</b>	<b>100 %</b>

The Hospital's net patient service revenue by service line during the years ended September 30 are as follows:

	2021		2020	
Emergency room	\$ 11,967,724	28 %	\$ 10,713,432	31 %
Hospital - outpatient	11,717,274	28	8,655,025	25
Clinic	5,331,792	13	4,769,334	14
Same day surgery	5,151,926	12	4,344,542	12
Hospital - inpatient and other	4,362,791	10	3,034,666	9
Skilled nursing services	3,665,760	9	3,238,456	9
	<b>\$ 42,197,267</b>	<b>100 %</b>	<b>\$ 34,755,455</b>	<b>100 %</b>

**Charity care:** The Hospital maintains a written charity care plan for which the purpose is the provision of health services to individuals who have demonstrated the inability to pay for all or part of the services. Records are maintained to identify and monitor the level of charity care provided by the Hospital. These records include the amount of regular charges foregone for services and supplies furnished under the charity care plan and the estimated cost of those services and supplies. The Hospital's policy is not to pursue collection of amounts determined to qualify as charity care if the patient has an annual income equal to or below 200% of the Federal Poverty Income levels. Accordingly, the Hospital does not report these amounts in net revenue. Charity care services, as measured by gross charges foregone, were \$600,701 and \$679,150 for the years ended September 30, 2021 and 2020, respectively. Of the Hospital's total expenses reported for the years ended September 30, 2021 and 2020, an estimated \$270,000 and \$281,000, respectively, arose from providing services to qualified charity patients. The estimated costs of providing charity care services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on the Hospital's total expenses divided by gross patient service revenue.

**Donor-restricted gifts:** Unconditional promises to give cash and other assets to the Hospital are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported on the statements of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions in the accompanying financial statements.

**Estimated malpractice costs:** The provision for estimated medical malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

**Income taxes:** The Hospital is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (Code) and is recognized as tax exempt under Section 501(a) of the Code. Accordingly, no provision for income taxes has been provided.

**HOSPITAL DEVELOPMENT COMPANY  
(d/b/a ROANE GENERAL HOSPITAL)**

**NOTES TO FINANCIAL STATEMENTS**

---

Accounting principles generally accepted in the United States of America require the Hospital to evaluate tax positions taken by the Hospital and recognize a tax liability or asset if the Hospital has taken an uncertain position that more likely than not would be sustained upon examination by the Internal Revenue Services (IRS). The Hospital has concluded that as of September 30, 2021 and 2020, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or asset or disclosure in the financial statements.

Generally, tax returns for years ended September 30, 2018, and thereafter remain subject to examination by federal and state tax authorities.

**Subsequent events:** The Hospital has evaluated subsequent events through January 6, 2022, the date the financial statements were available to be issued.

**Recent Accounting Pronouncement**

**Leases:** In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842) which supersedes FASB ASC Topic 840, *Leases*, and makes other conforming amendments to U.S. GAAP. This ASU requires, among other changes to the lease accounting guidance, lessees to recognize most leases on the balance sheet via a right-of-use asset and lease liability, and additional qualitative and quantitative disclosures. In addition, the updated guidance requires that lessors separate lease and non-lease components in a contract in accordance with the new revenue guidance in ASU 2014-09. Transition guidance is provided within the ASU and generally requires a retrospective approach. In June 2020, the FASB issued ASU 2020-05, which deferred the adoption date of this ASU for all private entities and public not-for-profit (NFP) entities that have not issued their financial statements reflecting the adoption of this ASU. The Hospital adopted this guidance during the year ended September 30, 2021. Adoption of this guidance did not have a material impact on the Hospital's financial statements.

**Note 2. Concentrations of Credit Risk**

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

	2021		2020	
Other third-party payors	30	%	21	%
Medicare, including managed care	26		27	
Private pay	23		26	
Medicaid, including managed care	21		26	
	<u>100</u>	<u>%</u>	<u>100</u>	<u>%</u>

**Note 3. Cash Concentrations**

The Hospital maintains cash in demand deposit accounts with a federally insured bank. At times the balances in these accounts may be in excess of federally insured limits. In management's opinion, the amounts in excess of federally insured limits do not pose a significant risk.

**HOSPITAL DEVELOPMENT COMPANY  
(d/b/a ROANE GENERAL HOSPITAL)**

**NOTES TO FINANCIAL STATEMENTS**

**Note 4. Investments**

Investments as of September 30 are stated at fair value and consist of the following:

	2021	2020
Cash and cash equivalents	\$ 26,750	\$ 23,588
Bonds	3,244,837	3,263,732
<b>Total investments</b>	<b>\$ 3,271,587</b>	<b>\$ 3,287,320</b>

Assets limited as to use that are required for obligations classified as current liabilities are reported in current assets. The composition of assets limited as to use, stated at fair value, as of September 30 are set forth in the following table:

	2021	2020
By donor for endowments, held by trustee:		
Cash and short-term investments	\$ 53,994	\$ 53,824
Held by trustee for project funds:		
Cash and cash equivalents	326,607	12,039,509
Permanently restricted endowment fund:		
Certificate of deposit	25,046	25,046
Held by trustee under self-insurance trust agreement:		
Cash and cash equivalents	35,718	23,503
Mutual funds and other	2,106,261	1,887,566
	<b>2,141,979</b>	<b>1,911,069</b>
<b>Total assets limited as to use</b>	<b>2,547,626</b>	<b>14,029,448</b>
<b>Less current portion</b>	<b>240,038</b>	<b>2,155,982</b>
	<b>\$ 2,307,588</b>	<b>\$ 11,873,466</b>

Investment income and gains and losses on assets limited as to use and cash and cash equivalents are comprised of the following for the years ended September 30:

	2021	2020
Income:		
Interest and dividend income	\$ 120,925	\$ 245,974
Realized gains on sale of investments	141,390	15,446
Net unrealized gain (loss) on investments	(29,843)	168,212
	<b>\$ 232,472</b>	<b>\$ 429,632</b>
Change in interest in net assets of Roane General Hospital Foundation	<b>\$ (151,681)</b>	<b>\$ 242,512</b>

**HOSPITAL DEVELOPMENT COMPANY  
(d/b/a ROANE GENERAL HOSPITAL)**

**NOTES TO FINANCIAL STATEMENTS**

**Note 5. Fair Value of Financial Instruments**

Authoritative guidance regarding *Fair Value Measurements* establishes a framework for measuring fair value. This guidance defines fair value, establishes a framework and hierarchy for measuring fair value, and outlines the related disclosure requirements. The guidance indicates that a fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability based upon an exit price model. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level I measurements) and the lowest priority to unobservable inputs (Level III measurements). The levels of the fair value hierarchy are as follows:

- Level I Quoted prices in active markets for identical assets or liabilities.
- Level II Observable inputs other than Level I prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level III Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

**Assets at Fair Value on a Recurring Basis**

The tables below present the recorded amounts of assets measured at fair value on a recurring basis as of September 30:

	2021			
	Total	Level I	Level II	Level III
<b>Assets:</b>				
Investments:				
Cash and cash equivalents	\$ 26,750	\$ 26,750	\$ -	\$ -
U.S. Government agency bonds/notes	3,244,837	3,244,837	-	-
<b>Total investments</b>	<b>3,271,587</b>	<b>3,271,587</b>	-	-
Assets limited as to use:				
Cash and cash equivalents	416,319	416,319	-	-
Certificate of deposit	25,046	-	25,046	-
Mutual funds:				
Equity	839,511	839,511	-	-
Fixed income	1,128,237	1,128,237	-	-
Exchange traded funds	66,673	66,673	-	-
Proprietary funds	71,840	71,840	-	-
<b>Total assets limited as to use</b>	<b>2,547,626</b>	<b>2,522,580</b>	<b>25,046</b>	-
<b>Total</b>	<b>\$ 5,819,213</b>	<b>\$ 5,794,167</b>	<b>\$ 25,046</b>	<b>\$ -</b>

**HOSPITAL DEVELOPMENT COMPANY  
(d/b/a ROANE GENERAL HOSPITAL)**

**NOTES TO FINANCIAL STATEMENTS**

	2020			
	Total	Level I	Level II	Level III
Assets:				
Investments:				
Cash and cash equivalents	\$ 23,588	\$ 23,588	\$ -	\$ -
U.S. Government notes	2,059,550	2,059,550	-	-
U.S. Government agency bonds/notes	1,204,182	1,204,182	-	-
<b>Total investments</b>	<b>3,287,320</b>	<b>3,287,320</b>	<b>-</b>	<b>-</b>
Assets limited as to use:				
Cash and cash equivalents	12,116,836	12,116,836	-	-
Certificate of deposit	25,046	-	25,046	-
Mutual funds:				
Equity	484,891	484,891	-	-
Corporate bonds	847,115	847,115	-	-
Government bonds	237,637	237,637	-	-
International equity	262,353	262,353	-	-
International bonds	22,123	22,123	-	-
Exchange traded funds	33,447	33,447	-	-
<b>Total assets limited as to use</b>	<b>14,029,448</b>	<b>14,004,402</b>	<b>25,046</b>	<b>-</b>
<b>Total</b>	<b>\$ 17,316,768</b>	<b>\$ 17,291,722</b>	<b>\$ 25,046</b>	<b>\$ -</b>

**Fair Value Measurements**

Following are descriptions of the valuation methodologies used for assets measured at fair value on a recurring basis and recognized on the accompanying balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy.

**Certificate of deposit:** Amortized cost plus accrued interest is believed to approximate fair value.

**Cash and cash equivalents, U.S. Government notes and agency bonds, mutual funds, and exchange traded funds:** Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Hospital believes its valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**Assets or Liabilities Recorded at Fair Value on a Nonrecurring Basis**

The Hospital has no assets or liabilities that are recorded at fair value on a nonrecurring basis.

**HOSPITAL DEVELOPMENT COMPANY  
(d/b/a ROANE GENERAL HOSPITAL)**

**NOTES TO FINANCIAL STATEMENTS**

**Note 6. Property and Equipment**

A summary of the components of property and equipment as of September 30 is as follows:

	<b>2021</b>	2020
Land and land improvements	\$ 374,974	\$ 374,974
Buildings and fixed equipment	9,901,893	10,165,400
Equipment	17,508,193	17,986,570
Construction in progress	24,929,265	13,973,765
	<u>52,714,325</u>	<u>42,500,709</u>
Less accumulated depreciation and amortization	19,626,033	20,263,325
<b>Property and equipment, net</b>	<b>\$ 33,088,292</b>	<b>\$ 22,237,384</b>

Capital lease assets included in property and equipment are as follows as of September 30:

	<b>2021</b>	2020
Equipment	\$ 66,000	\$ 367,603
Less accumulated amortization	66,000	354,403
	<u>\$ -</u>	<u>\$ 13,200</u>

**Note 7. Long-Term Obligations**

A summary of long-term obligations as of September 30 is as follows:

	<b>2021</b>	2020
County Commission Hospital Note Series 2017, terms below.	\$ 207,394	\$ 447,044
Lease Revenue Bonds Series 2019, terms below.	22,590,000	22,590,000
Capital lease obligation, payable in monthly installments of \$1,616, secured by related equipment, final payment due June 2021.	-	6,902
Note payable to bank, in monthly installments of \$18,283, secured by related equipment, final payment due April 2025.	729,144	924,546
Payroll Protection Program loan, terms below.	-	3,548,500
	<u>23,526,538</u>	<u>27,516,992</u>
Less deferred debt issuance costs	267,537	472,067
Less current maturities	884,146	434,951
	<u>\$ 22,374,855</u>	<u>\$ 26,609,974</u>

**HOSPITAL DEVELOPMENT COMPANY  
(d/b/a ROANE GENERAL HOSPITAL)**

**NOTES TO FINANCIAL STATEMENTS**

---

Aggregate maturities of long-term obligations, including capital lease obligations, are as follows as of September 30, 2021:

<b>Years Ending September 30:</b>	<b>Long-Term Debt</b>
2022	\$ 884,146
2023	739,404
2024	757,479
2025	680,463
2026	572,323
Thereafter	19,892,723
<b>Total</b>	<b>\$ 23,526,538</b>

The Hospital's notes payable and capital lease obligations include various covenants and requirements. Management has asserted that the Hospital was in compliance with these requirements as of September 30, 2021.

**The County Commission of Roane County Hospital Note Series 2017**

In August 2017, the Roane County Building Commission (Commission) issued its Roane County Hospital Note Series 2017 in an aggregate principal amount not to exceed \$1,300,000. The proceeds of the Series 2017 Note were used to pay, together with other available funds of the issuer, the cost of acquiring certain health care equipment for the Hospital. The Series 2017 Note is secured by equipment.

The Series 2017 Note matures on August 1, 2022. Monthly payments of \$21,061 including principal and interest are payable on the outstanding principal. Interest is calculated at the fixed rate of 3.875% per annum.

**The Roane County Building Commission Lease Revenue Bond Anticipation Notes (Roane General Hospital Series 2019)**

In November 2019, the Hospital issued the Roane County Building Commission Lease Revenue Bond Anticipation Notes in an aggregate principal amount of \$22,590,000. The proceeds of the Series 2019 Note were used to refund the Series 2013 Bonds and are to be used to fund a 30,000 square foot addition as well as extensive renovations. The Series 2019 Note matures on November 1, 2021. Semi-annual interest payments are required at a rate of 2.550% per annum.

In connection with the issuance of the Series 2019 Anticipation Notes, subsequent to September 30, 2021, the Hospital has obtained financing through the United States Department of Agriculture (USDA) for the full amount of the Series 2019 Anticipation Notes. The USDA Loan is outlined in the bond agreement as having a 2.125% interest rate per annum over the course of 30 years. The Series 2019 Anticipation Notes are secured by all of the Commission's and the Hospital's right to title and interest, future revenue, and all property mortgaged, pledged, and asunder under the Deed of Trust.

**Paycheck Protection Program (PPP) Loan**

During April 2020, the Hospital obtained a loan under the Paycheck Protection Program in the amount of \$3,548,500 pursuant to the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The proceeds from the loan were to be spent on qualifying expenses as allowed under the CARES Act.

The allowable costs under the PPP include covered payroll costs, mortgage interest on real or personal property, rental obligations on real or personal property, and covered utility costs. The Hospital believes it has used the loan proceeds in accordance with the requirements of the PPP.

**HOSPITAL DEVELOPMENT COMPANY  
(d/b/a ROANE GENERAL HOSPITAL)**

**NOTES TO FINANCIAL STATEMENTS**

---

The Hospital elected to account for the PPP loan as a long-term obligation. The Hospital was granted forgiveness of the loan by the Small Business Administration (SBA) for the year ended September 30, 2021, and has recognized this forgiveness as income.

**Note 8. Estimated Third-Party Payor Settlements**

Estimated third-party payor settlements consist of amounts due from/(to) the Medicare and Medicaid programs for settlement of current and prior cost reports and payments due from/(to) the State of West Virginia under its disproportionate share program. The estimated settlements by program as of September 30 are as follows:

	<b>2021</b>	<b>2020</b>
Medicare	<b>\$ (1,122,911)</b>	\$ (1,000,011)
Medicaid	<b>(519,795)</b>	(541,384)
Medicaid disproportionate share program	<b>(3,137,830)</b>	(3,137,830)
	<b><u>\$ (4,780,536)</u></b>	<b><u>\$ (4,679,225)</u></b>

**Medicaid Disproportionate Share Program Settlement**

The State of West Virginia Disproportionate Share Hospital (DSH) State Plan provides for a settlement process among participating hospitals. The State has settled the DSH amounts through 2012 which resulted in no material amounts due to or from the Hospital. As more fully explained below, for the years 2013 through 2017, the Hospital has been overpaid by the State for amounts due for the DSH program. The settlement amount of \$(3,137,830) as of September 30, 2021 and 2020, includes both the quarterly payment and settlement amounts due from the Hospital for the excess of amounts received for the cost of uncompensated care. The laws and regulations governing the DSH settlement process are complex, involving statistical data from all participating hospitals, and subject to interpretation.

On December 4, 2015, the West Virginia Department of Health and Human Resources (WVDHHR) received a letter ruling from the Region III office of the Centers for Medicare and Medicaid Services (CMS) on the inclusion of the Hospital based rural health clinic (RHC) cost in the Medicaid DSH calculation. The Hospital has historically included the cost of hospital based rural health clinics within the Medicaid DSH calculation. The ruling from the CMS states that although states have the flexibility to define the scope of "hospital services," a state cannot include the cost of a service not defined under its Medicaid state plan as a Medicaid inpatient or outpatient service, and, based upon that interpretation, cost of operating the Hospital's RHCs will not be reimbursed as a part of the cost of uncompensated care. Therefore, as of September 30, 2021, the Hospital estimated and recognized a payable for the Medicaid DSH cost based upon uninsured hospital based RHC cost for the years 2013 through 2017. This estimated liability is included in the settlement amount above as of September 30, 2021. Management is currently appealing the ruling, and it is currently under review from the CMS and WVDHHR.

**HOSPITAL DEVELOPMENT COMPANY**  
**(d/b/a ROANE GENERAL HOSPITAL)**

**NOTES TO FINANCIAL STATEMENTS**

**Note 9. Net Assets With Donor Restrictions**

Net assets with donor restrictions are held for the following purposes and subject to the following restrictions as of September 30:

	2021	2020
Subject to expenditure for specified purpose:		
Property and equipment	\$ 53,994	\$ 53,824
Restricted by Foundation	5,000	5,000
	<u>58,994</u>	<u>58,824</u>
Not subject to appropriation or expenditure:		
Permanently restricted by Foundation	219,508	200,210
Beneficial interest in trust	25,046	25,046
	<u>244,554</u>	<u>225,256</u>
<b>Total net assets with donor restrictions</b>	<u><u>\$ 303,548</u></u>	<u><u>\$ 284,080</u></u>

**Note 10. Retirement Plan**

The Hospital has a 401(k) profit sharing retirement plan for eligible employees whereby the Hospital matches employee contributions and can make additional contributions. The amount of the employees' contributions that are matched and the amount of additional contributions are based upon a percentage of employee contributions and eligible salaries, respectively, and are determined annually. Employer contributions to this plan totaled approximately \$582,000 and \$542,000 for 2021 and 2020, respectively.

**Note 11. Rental Expense**

The Hospital leases various equipment under month-to-month rental agreements. Total rental expense in 2021 and 2020 for these agreements was approximately \$198,000 and \$89,000, respectively.

**Note 12. Functional Expenses**

The Hospital provides health care and related services in its geographic location. Expenses relating to providing these services for the years ended September 30 are as follows:

2021	Health Care Services	Administration	Total
Salaries and wages	\$ 18,995,979	\$ 1,680,906	\$ 20,676,885
Payroll taxes and benefits	3,919,576	2,166,542	6,086,118
Professional medical fees	3,810,773	66,404	3,877,177
Supplies and other expenses	10,047,392	4,288,013	14,335,405
Interest	-	282,412	282,412
Depreciation and amortization	-	1,466,204	1,466,204
	<u>\$ 36,773,720</u>	<u>\$ 9,950,481</u>	<u>\$ 46,724,201</u>

**HOSPITAL DEVELOPMENT COMPANY**  
**(d/b/a ROANE GENERAL HOSPITAL)**

**NOTES TO FINANCIAL STATEMENTS**

<b>2020</b>	<b>Health Care</b>		<b>Total</b>
	<b>Services</b>	<b>Administration</b>	
Salaries and wages	\$ 16,926,092	\$ 1,991,180	\$ 18,917,272
Payroll taxes and benefits	3,411,599	2,360,058	5,771,657
Professional medical fees	2,876,816	41,468	2,918,284
Supplies and other expenses	9,392,582	3,407,188	12,799,770
Interest	-	224,087	224,087
Depreciation and amortization	-	1,389,372	1,389,372
	\$ 32,607,089	\$ 9,413,353	\$ 42,020,442

The financial statements report certain expense categories that are attributable to more than one service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Cost not directly attributable to a function are generally allocated to a function based on the originating department.

**Note 13. Medical Malpractice Insurance**

The Hospital is self-insured for its primary layer of professional / general liability exposure arising from its operations. The ultimate costs of malpractice claims, which include costs associated with litigating or settling claims, are accrued when the incidents that gave rise to the claims occurred. Estimated losses from asserted and unasserted claims are accrued based on the best estimates of the ultimate costs of the claims and the relationship of past reported incidents to eventual claims payments. All relevant information, including industry experience, actuarial calculations, historical experience, existing asserted claims, and reported incidents, was used in estimating the expected amount of claims to be paid. The accrual included an estimate of the losses that would result from unreported incidents, which were probable of having occurred before the end of the reporting period.

Accrued estimated malpractice costs were \$1,307,000 and \$1,420,000 as of September 30, 2021 and 2020, respectively. Accrued malpractice losses have not been discounted and in management's opinion provide an adequate reserve for loss contingencies. It is at least reasonably possible that the estimate for self-insured medical malpractice costs could change within the next year and because the Hospital is fully self-insured, that change could be material.

The Hospital has a medical malpractice reserve to accumulate funds for potential malpractice settlements (Note 4).

The Hospital is involved in litigations and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Hospital's future financial position or results from operations.

The Hospital has professional liability coverage of \$1,000,000 per incident and \$3,000,000 aggregate with a retention of \$100,000 for each medical occurrence covered under the policy.

**Note 14. Advertising Expense**

The Hospital expenses costs for advertising as they are incurred. Advertising costs included in expenses for 2021 and 2020 were approximately \$133,000 and \$136,000, respectively.

**HOSPITAL DEVELOPMENT COMPANY  
(d/b/a ROANE GENERAL HOSPITAL)**

**NOTES TO FINANCIAL STATEMENTS**

---

**Note 15. Related Party Transactions**

The Roane General Hospital Foundation, Inc. (Foundation) was formed on April 6, 1995, to support Roane General Hospital in furthering the development and provision of high-quality medical care services in Roane County, West Virginia, and surrounding areas. The Foundation accomplishes this by providing fundraising activities for future acquisition of medical equipment and facilities at Roane General Hospital. The Hospital is related to the Foundation through certain common trustees.

The Hospital's interest in the net assets of the Foundation is reported as a non-current asset on the balance sheets.

The approximate amounts of the Foundation's assets, net assets, revenue, and expenses as of and for the years ended September 30 are as follows:

	2021	2020
<b>ASSETS</b>		
Cash and cash equivalents	\$ 416,000	\$ 658,000
Investments	365,000	275,000
<b>Total net assets</b>	<b>\$ 781,000</b>	<b>\$ 933,000</b>
Support and revenue	\$ 475,000	\$ 260,000
Expenses	(627,000)	(17,000)
<b>Excess (deficiency) of support and revenue over expenses</b>	<b>\$ (152,000)</b>	<b>\$ 243,000</b>

Roane Medical Building, Inc. is a separate entity which owns a medical office building in Spencer, West Virginia. The Hospital is related to Roane Medical Building, Inc., through common members of their governing boards; however, the Hospital does not own the stock of Roane Medical Building, Inc.

The Hospital leases office space from Roane Medical Building, Inc., under a month-to-month lease arrangement. Rent expense for each of the years ended September 30, 2021 and 2020, amounted to \$21,960.

**Note 16. Health Care Legislation and Regulation**

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Government activity has increased with respect to investigations and allegations concerning possible violations of various statutes and regulations by health care providers. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Management believes that the Hospital is in compliance with fraud and abuse as well as other applicable government laws and regulations. If the Hospital is found in violation of these laws, the Hospital could be subject to substantial monetary fines, civil and criminal penalties, and exclusion from participation in the Medicare and Medicaid programs.

**Note 17. Self-Insured Employee Health Care**

The Hospital is partially self-insured with respect to employee health insurance claims and their health insurance coverage. Under this program, gross charges for employees receiving services at the Hospital are expensed and recorded as an employee benefit expense. To protect itself against extraordinary claims of its employees, the Hospital has purchased stop-loss insurance to cover claims in excess of \$115,000.

**HOSPITAL DEVELOPMENT COMPANY**  
**(d/b/a ROANE GENERAL HOSPITAL)**

**NOTES TO FINANCIAL STATEMENTS**

---

Total expense for health insurance for the Hospital for the years ended September 30, 2021 and 2020, was approximately \$3,465,000 and \$3,082,000, respectively. The estimated liability for health insurance program claims reported and unreported as of September 30, 2021 and 2020, was approximately \$312,000 and \$260,000, respectively, and is included in employee compensation, payroll withholdings, and taxes and benefits payable on the accompanying balance sheets.

**Note 18. Other Receivable**

On July 1, 2007, the Hospital became a member (0.2% ownership) of Community Hospital Alternative for Risk Transfer (CHART), which provides the Hospital the initial insurance protection and excess coverage under a claims-made policy. CHART was formed as a reciprocal risk retention group, which is a form of a captive insurance company owned by its insureds (called "subscribers") domiciled in Vermont and approved to provide coverage in West Virginia. Effective January 1, 2017, the Hospital withdrew as a member of CHART. As part of the withdrawal, the Hospital is due the Paid-in Surplus and the Surplus Capital Account which amounts to \$616,473 in total. Payment will be made as a lump sum on the fifth anniversary of the effective date of withdrawal from CHART, January 1, 2022. This amount is recorded as other receivable (long term) on the balance sheets as of September 30, 2021 and 2020. The Hospital obtained insurance through another insurer with no significant change in coverage.

**Note 19. Liquidity and Availability**

As of September 30, 2021, the Hospital had working capital of \$5,491,771 and approximately 46 days cash on hand. As of September 30, 2020, the Hospital had working capital of \$8,443,538 and approximately 76 days cash on hand.

Financial assets available for general expenditure within one year of the balance sheets dates consist of the following as of September 30:

	<b>2021</b>		<b>2020</b>
Cash and cash equivalents	\$ 5,723,367	\$	8,493,844
Investments	3,271,587		3,287,320
Patient accounts receivable, net of allowance	5,337,204		4,624,821
Other receivables	186,818		250,684
	<u>\$ 14,518,976</u>	\$	<u>16,656,669</u>

**Note 20. Leases**

The Hospital adopted ASU 2016-02, *Leases* (Topic 842) (ASC 842) on October 1, 2020, on a modified retrospective basis. As a result, the Hospital's lease disclosures as of and for the year ended September 31, 2021, are reported under ASC 842. Comparative financial information for prior periods has not been restated and continues to be reported under ASC 840, the lease accounting standard in effect for those periods. Total rental expense for all operating leases was approximately \$90,000 for 2020.

The Hospital leases medical equipment and facilities. Leases with an initial term of 12 months or less are not recorded on the balance sheets; the Hospital recognizes lease expense for these leases on a straight-line basis over the lease term. For lease agreements entered into or reassessed after the adoption of Topic 842, the Hospital combines lease and nonlease components.

**HOSPITAL DEVELOPMENT COMPANY  
(d/b/a ROANE GENERAL HOSPITAL)**

**NOTES TO FINANCIAL STATEMENTS**

---

The exercise of lease renewal options is at management's sole discretion. Certain leases also include options to purchase the leased property. The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise. The Hospital's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Overall the net present value of operating lease obligations are included in accounts payable and other current liabilities; disclosures are not considered material.

**Note 21. COVID-19 Pandemic**

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. This coronavirus outbreak has severely restricted the level of economic activity around the world. The pandemic has significantly impacted both the world and U.S. economies. Since March 2020, many state and local governments, in addition to the federal government, reacted to the public health crisis, creating significant uncertainties in the U.S. economy. In response to this coronavirus outbreak, the governments of many countries, states, cities, and other geographic regions have taken preventative or protective actions, such as imposing restrictions on travel and business operations and advising or requiring individuals to limit or forego their time outside of their homes. In certain geographic regions in which the Hospital operates, temporary closures of businesses have been ordered or suggested and numerous other businesses have temporarily closed voluntarily.

As a result of the COVID-19 pandemic, the Hospital has experienced a decline in visits, patient days, and revenue which has contributed to decreases in total operating revenue and increases in expenses related to supplies such as personal protective equipment and other expenditures.

Federal and state governments have passed legislation, promulgated regulations, and taken other administrative actions intended to assist health care providers in providing care to COVID-19 and other patients during the public health emergency. Sources of relief include the federal CARES Act, which was enacted on March 27, 2020, which included, among other programs, the Paycheck Protection Program and the Provider Relief Fund (PRF).

The material government funding received by the Hospital, and the corresponding accounting for the funding, is outlined below:

**Paycheck Protection Program Loan**

On April 16, 2020, the Hospital obtained a loan under the Paycheck Protection Program in the amount of \$3,548,500 pursuant to the CARES Act. In order to receive forgiveness, proceeds from the loan must be spent on qualifying expenses as allowed under the CARES Act and matures in April 2022. As of September 30, 2020, the Hospital recorded the PPP loan as a long-term obligation. During the year ended September 30, 2021, the loan was forgiven and the Hospital recognized \$3,548,500 (principal) in forgiveness of Paycheck Protection Program loan on the statement of operations and changes in net assets.

**Provider Relief Fund and Other Funding**

During the years ended September 30, 2021 and 2020, the Hospital received \$28,933 and \$4,891,654, respectively, in funding through the PRF program established by the CARES Act. The Hospital received \$400,000 and \$197,846, for the years ended September 30, 2021 and 2020, respectively, through the Rural Health Clinic COVID-19 Testing support. According to guidance provided by the governing agencies, these funds may be used only when health care providers experience a loss in revenue and/or incur expenses as a result of the COVID-19 pandemic. Additionally, health care providers must comply with certain terms and conditions when spending the funds. If the health care provider is unable to justify utilization of the funds through lost revenue or COVID-19 expenses, the funds must be returned to the HHS.

**HOSPITAL DEVELOPMENT COMPANY  
(d/b/a ROANE GENERAL HOSPITAL)**

**NOTES TO FINANCIAL STATEMENTS**

---

The Hospital had accounted for the original receipt of funds in other current liabilities. Based on the Hospital's calculation of lost revenue and COVID-19 expenses, the Hospital has recognized all of the funds received as operating revenue on the statements of operations and changes in net assets during the years ended September 30, 2021 and 2020. As it relates to the amount recognized as revenue, the Hospital believes that the conditions for receipt and conditions for expenditure have both occurred during the years ended September 30, 2021 and 2020.

While the Hospital has utilized all available current information in determining the proper utilization and accounting for these funds, additional regulatory guidance could be released that would have a material impact on how the Hospital has recognized funds.

**Note 22. Commitments**

The Hospital began a large construction project in 2020, in order to expand and improve patient care capabilities. Commitments related to this construction project totaled approximately \$22,590,000 and included the costs related to the new building construction and renovation, improvement, and equipping of the main campus. As of September 30, 2021, the Hospital had incurred and funded approximately \$24,929,000 of this commitment with estimated costs to complete the construction of approximately \$1,449,000. The Hospital expects to complete the project in December 2021.

**Note 23. Subsequent Events**

Subsequent to year end in November 2021, the Hospital has obtained additional financing through the USDA and private funding, amounting to \$24,190,000. These funds were used to refinance the Roane General Hospital Series 2019 Bonds and to finance additional capital projects.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees  
Hospital Development Company  
(d/b/a Roane General Hospital)

We have audited, in accordance with the 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 Hospital Development Company (d/b/a Roane General Hospital) (Hospital), which comprise the balance sheet as of September 30, 2021, and the related statements of operations and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 6, 2022.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting (internal control) to determine 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 Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

### **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.

The image shows a handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

Charleston, West Virginia  
January 6, 2022

# **Hospital Development Company (d/b/a Roane General Hospital)**

Schedule of Expenditures of  
Federal Awards Reporting Package

September 30, 2021

## CONTENTS

---

Schedule of Expenditures of Federal Awards	1
Notes to Schedule of Expenditures of Federal Awards	2
Independent Auditor's Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	3 - 5
Schedule of Findings and Questioned Costs	6 - 7
Summary Schedule of Prior Audit Findings	8

---

HOSPITAL DEVELOPMENT COMPANY (d/b/a ROANE GENERAL HOSPITAL)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended September 30, 2021

Federal Grantor / Pass-Through Grantor Program Title	Federal AL *	Pass-Through Entity Identifying Number	Passed Through to Subrecipient	Federal Expenditures
<b><u>Direct Awards:</u></b>				
U.S. Department of Health and Human Services:				
Provider Relief Fund	93.498	N/A	\$ -	\$ 4,779,438
<b><u>Passed Through Awards:</u></b>				
West Virginia Department of Health and Human Resources:				
Grants to States for Loan Repayment National Bioterrorism Hospital Preparedness Program	93.165	N/A	-	20,000
	93.889	N/A	-	1,500
<b>Total West Virginia Department of Health and Human Resources</b>			-	21,500
The Healthcare Education Foundation of West Virginia, Inc.				
National Bioterrorism Hospital Preparedness Program	93.889	N/A	-	9,319
<b>Total passed through awards</b>			-	30,819
<b>Total expenditures of federal awards</b>			\$ -	\$ 4,810,257

\* AL = Assistance Listing

See Notes to Schedule of Expenditures of Federal Awards

## HOSPITAL DEVELOPMENT COMPANY (d/b/a ROANE GENERAL HOSPITAL)

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended September 30, 2021

#### Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Hospital Development Company (d/b/a Roane General Hospital) (Hospital) under programs of the federal government for the year ended September 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Hospital Development Company (d/b/a Roane General Hospital), it is not intended to and does not present the financial position, changes in net assets, or cash flows of Hospital Development Company (d/b/a Roane General Hospital).

#### Note 2. Summary of Significant Accounting Policy

Expenditures reported on the Schedule are reported on the accrual basis of accounting, with the exception of expenditures associated with Provider Relief Funds (PRF). Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. PRF expenditures are reported based upon the PRF report that is required to be submitted to the Health Resources and Services Administration (HRSA) reporting portal. Hospital Development Company (d/b/a Roane General Hospital) has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

#### Note 3. Summary of Provider Relief Funds

Below is a summary when the Provider Relief Funds were received and recognized as revenue by the Hospital:

PRF Reporting Period	Payments Received Period	Total Payments Received	Revenue Recognized for the Years Ended September 30,		Deferred Revenue as of September 30,	
			2021	2020	2021	2020
Period 1	April 10, 2020 to June 30, 2020	\$ 4,779,438	\$ -	\$ 4,779,438	\$ -	\$ -
Period 2	July 1, 2020 to December 31, 2020	28,933	28,933	-	-	-
Period 3	January 1, 2021 to June 30, 2021	400,000	400,000	-	-	-
Period 4	July 1, 2021 to December 31, 2021	-	-	-	-	-
		<u>\$ 5,208,371</u>	<u>\$ 428,933</u>	<u>\$ 4,779,438</u>	<u>\$ -</u>	<u>\$ -</u>

#### Note 4. Subrecipients

Hospital Development Company (d/b/a Roane General Hospital) did not pass any federal awards to subrecipients.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR THE MAJOR FEDERAL PROGRAM; REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT  
ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees  
Hospital Development Company  
(d/b/a Roane General Hospital)

**Report on Compliance for the Major Federal Program**

We have audited Hospital Development Company's (d/b/a Roane General Hospital) (Hospital) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Hospital's major federal program for the year ended September 30, 2021. The Hospital's major federal program is identified in the summary of independent auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the Hospital's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Hospital's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Hospital's compliance.

## **Opinion on the Major Federal Program**

In our opinion, the Hospital complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2021.

### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2021-001. Our opinion on the major federal program is not modified with respect to this matter.

### **Hospital's Response to Finding**

The Hospital's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Hospital's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **Report on Internal Control Over Compliance**

Management of the Hospital is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Hospital's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2021-001, that we consider to be a significant deficiency.

### **Hospital's Response to Finding**

The Hospital's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Hospital's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **Purpose of this Report**

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

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of Hospital Development Company (d/b/a Roane General Hospital) as of and for the year ended September 30, 2021, and have issued our report thereon dated January 6, 2022, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The image shows a handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

Charleston, West Virginia  
June 3, 2022

**HOSPITAL DEVELOPMENT COMPANY (d/b/a ROANE GENERAL HOSPITAL)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended September 30, 2021**

---

SECTION I - SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified?  Yes  None Reported

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Type of auditor's report issued on compliance for major program: Unmodified

Internal control over major program:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified?  Yes  None Reported

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?  Yes  No

Identification of major program:

AL Number Name of Federal Program or Cluster

93.498 Provider Relief Funds

Dollar threshold used to distinguish between type A and type B programs \$750,000

Auditee qualified as low-risk auditee?  Yes  No

SECTION II - FINANCIAL STATEMENTS FINDINGS

None reported.

**HOSPITAL DEVELOPMENT COMPANY (d/b/a ROANE GENERAL HOSPITAL)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**Year Ended September 30, 2021**

---

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**2021-001**

**Programs:** Provider Relief Funds

**CFDA Number:** 93.498

**Federal Agencies:** U.S. Department of Health and Human Services

**Passed-Through Entities:** N/A

**Award Number:** N/A

**Award Year:** Various

**Compliance Requirement:** Reporting

**Questioned Costs:** None

**Criteria:** As required by the Provider Relief Fund General and Targeted Distribution Post-Payment Notice of Reporting Requirements, issued on June 11, 2021; when referring to revenues from patient care for the purposes of the calculation of lost revenues attributable to COVID-19 patient care was defined as: "Patient care" means health care, services, and supports, as provided in a medical setting, at home/telehealth, or in the community. It should not include non-patient care revenue such as insurance, retail, or real estate revenues (exception for nursing and assisted living facilities' real estate revenues where resident fees are allowable); prescription sales revenues (exception when derived through the 340B program); grants or tuition; contractual adjustments from all third-party payors; charity care adjustments; bad debt; and any gains and/or losses on investments."

**Condition and Context:** Hospital Development Company (d/b/a Roane General Hospital) elected to use the Lost Revenues Reporting Method of 2019 Actual Revenue. When preparing the calculation Hospital Development Company (d/b/a Roane General Hospital) excluded 340B revenues from the calculation.

**Cause:** Hospital Development Company (d/b/a Roane General Hospital) had misinterpreted the reporting guidelines. Although the most recent guidelines were used, management's review process did not take into account the applicable regulation which defined "patient care" as excluding prescription sales revenues but including revenues generated from the 340B program.

**Effect:** Hospital Development Company (d/b/a Roane General Hospital) was not in compliance with the reporting requirements for the Provider Relief Funds. Hospital Development Company (d/b/a Roane General Hospital) has misstated the lost revenues when reporting for the Provider Relief Funds. Hospital Development Company (d/b/a Roane General Hospital) does have sufficient expenditures and compliant lost revenues to recognize all funding received in the reporting period.

**Recommendation:** It is recommended that Hospital Development Company (d/b/a Roane General Hospital) review their policies and procedures and implement additional policies to ensure that the most recent guidelines are reviewed, understood, and complied with when reporting.

**View of Responsible Officials:** Hospital Development Company (d/b/a Roane General Hospital) agrees with the finding.

**HOSPITAL DEVELOPMENT COMPANY (d/b/a ROANE GENERAL HOSPITAL)**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**Year Ended September 30, 2021**

---

None reported.

HOSPITAL DEVELOPMENT COMPANY (D/B/A ROANE GENERAL HOSPITAL)

CORRECTIVE ACTION PLAN  
YEAR ENDED SEPTEMBER 30, 2021

June 3, 2022

Corrective Action Plan for Hospital Development Company (d/b/a Roane General Hospital) (the Hospital) Single Audit Report for the fiscal year ended September 30, 2021 as required by *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Finding 2021-001:

Section III – Findings and Questioned Costs Relating to Federal Awards

A significant deficiency in Internal Control over Major Programs.

**Criteria:** As required by the Provider Relief Fund General and Targeted Distribution Post-Payment Notice of Reporting Requirements, issued on June 11, 2021; when referring to revenues from patient care for the purposes of the calculation of lost revenues attributable to Covid-19 patient care was defined as: ““Patient care” means health care, services and supports, as provided in a medical setting, at home/telehealth, or in the community. It should not include non-patient care revenue such as insurance, retail, or real estate revenues (exception for nursing and assisted living facilities’ real estate revenues where resident fees are allowable); prescription sales revenues (exception when derived through the 340B program); grants or tuition; contractual adjustments from all third party payers; charity care adjustments; bad debt; and any gains and/or losses on investments.”

**Condition and Context:** Hospital Development Company (d/b/a Roane General Hospital) elected to use the Lost Revenues Reporting Method of 2019 Actual Revenue. When preparing the calculation Hospital Development Company (d/b/a Roane General Hospital) excluded 340B revenues.

**Cause:** Hospital Development Company (d/b/a Roane General Hospital) had misinterpreted the reporting guidelines. Although the most recent guidelines were used, management’s review process did not take into account the applicable regulation which defined “patient care” as excluding prescription sales revenues but including revenues generated from the 340B Program.

**Effect:** Hospital Development Company (d/b/a Roane General Hospital) was not in compliance with the reporting requirements for the Provider Relief Funds. Hospital Development Company (d/b/a Roane General Hospital) has misstated the lost revenues when reporting for the Provider Relief Funds. Hospital Development Company (d/b/a Roane General Hospital) does have sufficient expenditures and compliant lost revenues to recognize all funding received in the reporting period.

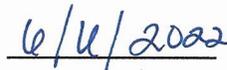
**Recommendation:** It is recommended that Hospital Development Company (d/b/a Roane General Hospital) review their policies and procedures and implement additional policies to ensure that the most recent guidelines are reviewed, understood and complied with when reporting.

**Corrective Action Plan:** Management will review its policies and procedures and modify as necessary to ensure the most up-to-date regulations are complied with. Additionally, in a future reporting period, management will modify the historical revenue amounts in the HRSA Portal to properly include 340B revenues. This will ensure the Hospital does not over-report in future periods.

**Contact Person:** Amy Downey, Chief Financial Officer, 200 Hospital Drive, Spencer, WV 25276



Signature



Date