

# Mid-Columbia Medical Center and Affiliates

Consolidated Financial Statements and  
Supplementary Information

Years Ended December 31, 2021 and 2020



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# Mid-Columbia Medical Center and Affiliates

## Consolidated Financial Statements and Supplementary Consolidating Information

Years Ended December 31, 2021 and 2020

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## **Independent Auditor's Report**

Board of Trustees  
Mid-Columbia Medical Center and Affiliates  
The Dalles, Oregon

### ***Report on the Audit of the Financial Statements***

#### ***Opinion***

We have audited the consolidated financial statements (the "financial statements") of Mid-Columbia Medical Center and Affiliates (the "Medical Center"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Medical Center as of December 31, 2021 and 2020, and the results of its operations for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

#### ***Basis for Opinion***

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

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Medical Center's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Medical Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Medical Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

## ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The consolidating schedules and 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*, are presented for purposes of additional analysis and are 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 GAAS. In our opinion, the information is fairly stated in all materiality respects in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2022 on our consideration of the Medical Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Medical Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Medical Center's internal control over financial reporting and compliance.

*Wipfli LLP*

Wipfli LLP

Spokane, Washington

April 25, 2022

# Mid-Columbia Medical Center and Affiliates

## Consolidated Balance Sheets

<i>As of December 31,</i>	2021	2020
Current assets:		
Cash and cash equivalents	\$ 22,515,325	\$ 31,480,431
Receivables:		
Patient accounts receivable - Net	19,696,416	15,021,303
Other receivables	1,552,618	523,591
Estimated third-party payor settlements	221,109	-
Supplies inventory	1,892,260	1,857,368
Prepaid expenses	1,624,790	1,364,994
Total current assets	47,502,518	50,247,687
Assets limited as to use	19,071,195	17,390,877
Property and equipment - Net	18,563,649	20,763,051
Other assets:		
Goodwill	1,088,535	1,160,669
Other noncurrent assets	1,033,540	1,178,628
Total other assets	2,122,075	2,339,297
<b>TOTAL ASSETS</b>	<b>\$ 87,259,437</b>	<b>\$ 90,740,912</b>

# Mid-Columbia Medical Center and Affiliates

## Consolidated Balance Sheets (Continued)

<i>As of December 31,</i>	2021	2020
Current liabilities:		
Accounts payable	\$ 5,895,633	\$ 5,776,159
Estimated third-party payor settlements	-	214,189
Current portion of Medicare advance	9,424,237	7,159,167
Accrued compensation and related liabilities	4,417,588	4,230,228
Accrued paid time-off	3,839,034	3,823,373
Refundable advances	3,443,968	2,717,680
Current portion of long-term debt	240,391	808,702
Current portion of capital lease obligations	237,615	320,917
Total current liabilities	27,498,466	25,050,415
Long-term liabilities:		
Long-term debt - Less current portion	8,256,697	8,491,950
Capital lease obligations - Less current portion	450,446	548,842
Postretirement benefit obligations	872,261	1,146,095
Medicare advance - Less current portion	-	7,635,833
Other long-term liabilities	444,766	438,262
Total long-term liabilities	10,024,170	18,260,982
Total liabilities	37,522,636	43,311,397
Net assets:		
Without donor restrictions	46,170,892	43,482,193
With donor restrictions	3,565,909	3,947,322
Total net assets	49,736,801	47,429,515
TOTAL LIABILITIES AND NET ASSETS	\$ 87,259,437	\$ 90,740,912

See accompanying notes to consolidated financial statements.

# Mid-Columbia Medical Center and Affiliates

## Consolidated Statements of Operations and Changes in Net Assets

<i>Years ended December 31,</i>	2021	2020
Revenue:		
Patient service revenue	\$ 130,423,585	\$ 117,836,305
Other operating revenue	14,283,768	22,261,148
Total revenue	144,707,353	140,097,453
Expenses:		
Salaries	66,098,298	62,280,567
Employee benefits	14,096,867	14,245,745
Supplies	21,593,458	19,727,117
Professional fees	9,648,570	10,702,655
Purchased services	17,526,414	12,773,765
Rent	3,942,163	4,103,256
Repairs and maintenance	2,164,617	1,951,959
Utilities	1,255,672	1,270,633
Insurance	1,077,847	(51,150)
Depreciation	4,715,585	5,174,370
Interest and amortization	404,769	458,846
Other operating expense	1,634,270	1,514,971
Total operating expenses	144,158,530	134,152,734
Income from operations	548,823	5,944,719
Other income (expense)		
Investment income	1,340,299	855,599
Change in fair value of interest rate swap agreement	-	49,981
Loss on disposal of property and equipment	(33,017)	(222,488)
Other expenses	(198,409)	(1,769,697)
Total other income (expense)	1,108,873	(1,086,605)
Excess of revenue over expenses	\$ 1,657,696	\$ 4,858,114



# Mid-Columbia Medical Center and Affiliates

## Consolidated Statements of Operations and Changes in Net Assets (Continued)

<i>Years ended December 31,</i>	2021	2020
Excess of revenue over expenses - Carried forward	\$ 1,657,696	\$ 4,858,114
Change in net assets without donor restrictions:		
Net assets released from restrictions used for operations	286,231	1,172,419
Net assets released from restrictions used for property and equipment acquisitions	744,772	744,774
Change in net assets without donor restrictions	2,688,699	6,775,307
Change in net assets with donor restrictions:		
Restricted contributions	551,707	522,482
Restricted investment income	52,330	34,775
Increase in value of split-interest agreement	45,553	21,406
Net assets released from restrictions used for operations	(286,231)	(1,172,419)
Net assets released from restrictions used for property and equipment acquisitions	(744,772)	(744,774)
Change in net assets with donor restrictions	(381,413)	(1,338,530)
Change in net assets	2,307,286	5,436,777
Net assets at beginning	47,429,515	41,992,738
Increase in net assets without donor restrictions	\$ 49,736,801	\$ 47,429,515

See accompanying notes to consolidated financial statements.

# Mid-Columbia Medical Center and Affiliates

## Consolidated Statements of Cash Flows

<i>Years ended December 31,</i>	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 2,307,286	\$ 5,436,777
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	4,715,585	5,174,370
Loss on sale of property and equipment	33,017	222,488
Amortization of debt issuance costs	7,916	(85,687)
Gain in fair value of interest rate swap agreement	-	(49,981)
Investment income	(1,340,299)	(855,599)
Impairment of goodwill	-	250,000
Amortization of goodwill	72,134	-
Restricted contributions and investment income	(649,590)	(578,663)
Changes in operating assets and liabilities:		
Patient accounts receivable - Net	(4,675,113)	1,322,433
Other receivables	(1,029,027)	1,023,132
Estimated third-party payor settlements - Net	(435,298)	330,981
Supplies inventory	(34,892)	20,008
Prepaid expenses	(259,796)	130,657
Other noncurrent assets - Net	145,088	90,165
Accounts payable	119,474	(954,381)
Medicare advance	(5,370,763)	14,795,000
Accrued compensation and related liabilities	187,360	(687,359)
Refundable advance	726,288	2,717,680
Accrued paid time-off	15,661	799,957
Other noncurrent liabilities	(267,330)	(911,470)
<b>Net cash from operating activities</b>	<b>(5,732,299)</b>	<b>28,190,508</b>
Cash flows from investing activities:		
Net proceeds from (purchase of) assets limited as to use	(340,019)	713,658
Purchases of property and equipment	(2,355,556)	(3,174,920)
<b>Net cash from investing activities</b>	<b>(2,695,575)</b>	<b>(2,461,262)</b>

# Mid-Columbia Medical Center and Affiliates

## Consolidated Statements of Cash Flows (Continued)

<i>Years ended December 31,</i>	2021	2020
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	\$ -	\$ 8,963,000
Payments on long-term debt	(811,480)	(9,319,772)
Payments on capital lease obligations	(375,342)	(1,052,477)
Restricted contributions and investment income	649,590	578,663
Net cash from financing activities	(537,232)	(830,586)
Net change in cash and cash equivalents	(8,965,106)	24,898,660
Cash and cash equivalents at the beginning of the year	31,480,431	6,581,771
Cash and cash equivalents at the end of the year	\$ 22,515,325	\$ 31,480,431
Supplemental cash flow information:		
Cash paid for interest	\$ 396,853	\$ 458,846
Noncash financing activity		
Equipment acquired under capital lease obligations	\$ 193,644	\$ 647,082

See accompanying notes to consolidated financial statements.

# Mid-Columbia Medical Center and Affiliates

## Notes to Consolidated Financial Statements

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### **Note 1: Summary of Significant Accounting Policies**

#### **Organization and Principles of Consolidation**

Mid-Columbia Medical Center and Affiliates (the "Medical Center") is an Oregon nonprofit corporation located in The Dalles, Oregon, which was formed for the purpose of providing a comprehensive system of healthcare services to the communities in the Mid-Columbia region. Health Care for the Mid-Columbia Region ("Region") is the sole member of the Medical Center, as well as the sole member or stockholder of several other affiliated organizations.

The accompanying consolidated financial statements include the accounts and transactions of the Medical Center. Affiliates are the Mid-Columbia Health Foundation (the "Foundation"), an Oregon nonprofit corporation, and Dry Hollow Professional Center, Inc. ("Dry Hollow"), an Oregon corporation. Inter-affiliate accounts and transactions have been eliminated in consolidation.

Mid-Columbia Medical Center is a short-term acute care hospital that provides healthcare and healthcare-related services primarily to residents of the Mid-Columbia region. The operations also include various medical clinics and physician practices. The Foundation was established to raise funds for healthcare providers in the Mid-Columbia region. Dry Hollow owns and operates a medical professional building.

#### **Consolidating Financial Statements Presentation**

The Medical Center follows accounting standards contained in the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). The ASC is the single source of authoritative accounting principles generally accepted in the United States of America ("GAAP") to be applied to nongovernmental entities.

#### **Use of Estimates in Preparation of Consolidated Financial Statements**

The preparation of the accompanying consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that directly affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from estimates.

#### **Cash and Cash Equivalents**

Cash and cash equivalents include investments in highly liquid debt instruments with remaining maturities of three months or less at the time of purchase by the Medical Center, excluding assets limited as to use.

# Mid-Columbia Medical Center and Affiliates

## Notes to Consolidated Financial Statements

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### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **Patient Accounts Receivable and Credit Policy**

Patient accounts receivable are reported at the amount that reflects the consideration to which the Medical Center expects to be entitled in exchange for providing patient care services. Patient accounts receivable are recorded in the accompanying consolidated balance sheets net of contractual adjustments and implicit price concessions, which reflects management's estimate of the transaction price. The Medical Center estimates the transaction price based on negotiated contractual agreements, historical experience, and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions and is recorded through a reduction of gross revenue and a credit to patient accounts receivable. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. The Medical Center does not have a policy to charge interest on past due accounts.

#### **Supplies Inventory**

Supplies inventory is valued at the lower of average cost (first-in, first-out method) or net realizable value, except for pharmacy inventory, which is determined on the lower of cost (first-in, first-out method) or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation.

#### **Assets Limited as to Use and Investment Income**

Assets limited as to use are measured at fair value in the accompanying balance sheets. Assets limited as to use primarily consist of assets designated by the Medical Center's Board of Trustees (the "Board") for certain operating purposes and future capital acquisitions (over which the Board retains control and may, at its discretion, subsequently use for other purposes); a deposit account required as a result of the Medical Center's guarantee of the self-insured workers compensation plan; and investments held by the Foundation.

Investment income or loss (including realized gains and losses on investments, interest, and dividends) is reported as nonoperating income unless the income is restricted by donor or law.

#### **Fair Value Measurements**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

# Mid-Columbia Medical Center and Affiliates

## Notes to Consolidated Financial Statements

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### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **Property and Equipment**

Property and equipment acquisitions are recorded at cost or, if donated, at fair value at the date of donation. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Property and equipment under capital leases are amortized on the straight-line method over the shorter period of the lease term or the estimated economic life. Such amortization is included with depreciation expense. Leasehold improvements are amortized over the shorter period of the estimated useful life or the remaining term of the lease. Estimated useful lives are based on guidelines published by the American Hospital Association.

Interest costs incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets, net of any earnings on these funds. No interest costs were capitalized in 2021 and 2020.

Gifts of long-lived assets, such as land, buildings, or equipment are reported as net assets without donor restrictions and excluded from excess of revenue over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations regarding the length of time long-lived assets must be maintained, the Medical Center reports expirations of donor restrictions when the donated or acquired long-lived assets are placed into service.

#### **Impairment of Long-Lived Assets**

The Medical Center reviews its property and equipment and other assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset and its fair value are less than the carrying amount of that asset. The Medical Center has not recognized any impairment of property and equipment during 2021 and 2020.

#### **Goodwill**

The Medical Center amortizes goodwill on a straight-line basis over a period of 10 years. The Medical Center tests goodwill for impairment only when a triggering event has occurred that indicates it is more likely than not that the fair value of the reporting unit is below its carrying value. The Medical Center evaluates the impairment as of the end of the reporting period (interim or annual) in which the triggering event has occurred. During the year ended December 31, 2020, management reviewed its goodwill and determined that an impairment adjustment of \$250,000 was necessary. No impairment adjustment was deemed necessary for the year ended December 31, 2021.

# Mid-Columbia Medical Center and Affiliates

## Notes to Consolidated Financial Statements

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### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **Postretirement Benefit Obligations**

The Medical Center sponsors deferred compensation programs covering certain retirees. The deferred compensation programs are funded with investments.

#### **Net Assets**

Net assets without donor restrictions are those not subject to donor-imposed stipulations and includes those expendable resources which have been designated for special use by the Medical Center's Board. Net assets with donor restrictions are those whose use by the Medical Center has been limited by donors to a specific time period or purpose, or have been restricted by donors to be maintained by the Medical Center in perpetuity. Net assets restricted by donors to be maintained by the Medical Center in perpetuity were not significant to the accompanying consolidated financial statements as of December 31, 2021 and 2020.

#### **Patient Service Revenue**

Patient service revenue is reported at the amount that reflects the consideration to which the Medical Center expects to be entitled in exchange for providing patient care. 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 Medical Center bills the patients and third-party payors several days after the services are performed and/or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided. Revenue from performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. Generally, performance obligations satisfied over time relate to patients receiving inpatient hospital acute care services, and sub-acute care services. For these services the Medical Center measures the performance obligation from admission to the point when there are no further services required for the patient, which is generally at the time of discharge. For outpatient services provided at hospitals, clinics, and home health and sub-acute services, the performance obligation is satisfied as the patient simultaneously receives and consumes the benefits provided as the services are performed. In the case of these outpatient services, recognition of the obligation over time yields the same result as recognizing the obligation at a point in time.

Because the Medical Center's performance obligations relate to contracts with a duration of less than one year, the Medical Center has elected to apply the optional exemption and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute 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.

# Mid-Columbia Medical Center and Affiliates

## Notes to Consolidated Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Patient Service Revenue** (Continued)

The Medical Center uses a portfolio approach to account for categories of patient contracts as a collective group rather than recognizing revenue on an individual contract basis. The Medical Center used the following factors to develop portfolios: major payor classes, type of service (i.e., inpatient, outpatient, clinic), and geographic location. Using historical collection trends and other analysis, the Medical Center evaluated the accuracy of its estimate and determined that recognizing revenue by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach was used.

The Medical Center determines the transaction price, which involves significant estimates and judgment, based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Medical Center's policy, and implicit price concessions provided to patients. The Medical Center determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policy, and historical experience. The Medical Center determines its estimate of implicit price concessions based on its historical collection experience for each patient portfolio based on payor class and service type.

The Medical Center has agreements with third-party payors that typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

- Medicare: Inpatient hospital acute care services are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient, clinic, and subacute care services are reimbursed primarily on a prospective payment methodology based upon a patient classification system or fixed fee schedules.
- Medicaid - Inpatient and outpatient services are reimbursed primarily based upon prospectively determined rates. Clinic services are reimbursed primarily on a fixed fee schedule.
- Other: The Medical Center has entered into payment agreements with commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates per discharge, discounts from established charges, fee schedules, and prospectively determined daily rates.



# Mid-Columbia Medical Center and Affiliates

## Notes to Consolidated Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Patient Service Revenue** (Continued)

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Medical Center'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. Adjustments arising from a change in the transaction price were not significant in 2021 and 2020.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Medical Center also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. The Medical Center estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions.

Consistent with the Medical Center's mission, care is provided to patients regardless of their ability to pay. Therefore, the Medical Center has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Medical Center expects to collect based on its collection history with those patients. The Medical Center's policy is to provide a discount from established charges to uninsured patients. This policy did not change in 2021 and 2020.

The estimated amount of consideration from patients and third-party payors has not been adjusted for the effects of a significant financing component due to the Medical Center'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 Medical Center does, in certain 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.

#### **Charity Care**

The Medical Center provides services to patients who meet certain criteria of its financial assistance (i.e., charity care) policy without charge or at amounts less than its established rates. Such amounts, determined to qualify as charity care, are not reported as revenue.

# Mid-Columbia Medical Center and Affiliates

## Notes to Consolidated Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Charity Care** (Continued)

The estimated cost of providing charity care to patients under the Medical Center's charity care policy is calculated by multiplying the Medical Center's ratio of cost to gross charges by the gross uncompensated charges associated with providing the charity care.

#### **Excess of Revenues Over Expenses**

The accompanying consolidated statements of operations include the excess of revenue over expenses, which is considered the operating indicator. Changes in net assets without donor restrictions, which are excluded from the excess of revenue over expenses, consistent with industry practice, include the net assets released from restrictions used for operations and property and equipment acquisitions.

#### **Contributions**

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- a) An explicit identifying of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized.
- b) An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met.

Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received. Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of operations as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Donated services are recognized as contributions if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased.

# Mid-Columbia Medical Center and Affiliates

## Notes to Consolidated Financial Statements

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### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **Income Taxes**

The Medical Center and the Foundation are tax-exempt corporations as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

Dry Hollow is a taxable entity for federal income tax purposes. Income tax expense is not significant in relation to the accompanying consolidated financial statements.

In order to account for any uncertain tax positions, the Medical Center determines whether it is more likely than not that a tax position will be sustained on examination by the taxing authorities based on the technical merits of the position, assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more-likely-than-not recognition threshold, the benefit of the tax position is not recognized in the consolidated financial statements.

#### **New Accounting Pronouncements**

In February 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-02, *Leases* (Topic 842). The objective of this ASU is to assist organizations in recognizing the right to the use of an asset and its related liability or obligation when there is a contract in place, which includes the right to control or direct the use of an identifiable asset. This ASU also includes provisions where the majority of leases that have lease terms greater than one year are to be recorded as lease obligations on the balance sheet, whereas in the past, these leases may have been recorded as either capital leases or operating leases. This ASU is effective for the Medical Center's year ending December 31, 2022.

#### **Subsequent Events**

Subsequent events have been evaluated through April 25, 2022, which is the date the consolidated financial statements were available to be issued. A subsequent event is described in Note 17.

### **Note 2: Community Benefits (Unaudited)**

The Medical Center's philosophy embraces a definition of health that acknowledges the interdependence of biological, social, intellectual, environmental, and spiritual components. This definition has broadened the Medical Center's focus and prioritization of resources dedicated to improving the health of the communities within the Medical Center's geographic location. The Medical Center's goal is to lead and act as a catalyst in promoting health for all people in its service area. The Medical Center works to accomplish this by being willing to provide healthcare services to all members of the community, providing access to health information, and support services, and acting as a catalyst and strategic partner in broad-based community initiatives.

# Mid-Columbia Medical Center and Affiliates

## Notes to Consolidated Financial Statements

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### **Note 2: Community Benefits (Unaudited)** (Continued)

In keeping with the Medical Center's goal to serve all members of the community, free care, and/or subsidized care is provided. The Medical Center provided approximately \$5,753,000 and \$6,027,000 in free or charity care at established rates to qualified patients because of medical need and limited financial resources during the years ended December 31, 2021 and 2020, respectively. Management estimates that the net cost of charity care provided was approximately \$2,320,000 and \$2,811,000 for the years ended December 31, 2021 and 2020, respectively. These estimates were based on the Medical Center's ratio of cost to charges each year.

The Medical Center believes in community partnerships and preventive programs, which enhance the health and wellness of community members. Some of the Medical Center's efforts are as follows:

- Participates as a member of the Columbia Gorge Health Council ("CGHC") in providing oversight and governance of the coordinated care organization formed by PacificSource Community Solutions ("PacificSource"). CGHC is a nonprofit corporation comprised of the Medical Center, Wasco County, Hood River County, Central Oregon Independent Practice Association, Inc., One Community Health, PacificSource, Providence Hood River Memorial Hospital, and at-large members of the community.
- Nurses provide access to free or reduced cost primary care and school nursing services for uninsured students in the local school districts.
- Provides free prenatal classes and support programs focusing on prenatal care, testing, delivery, and post-partum care for high-risk pregnancies.
- Provides meeting facilities for various civic, charitable, and support groups. Provides support for American Red Cross Blood Drives.
- Provides and subsidizes emergency medical technician training for several neighboring counties.
- Encourages staff to volunteer to make a difference through service to members of the community.
- Sponsors and participates in community, senior, and diabetes health fairs by supplying health and safety information, demonstrations, and screenings.
- Sponsors support groups for healthcare-related issues and post-treatment support for affected patients.
- Provides sports medicine specialists to the Northern Wasco, Dufur, and Sherman County school districts for education on prevention of sports-related injuries and preventative conditioning principles to increase athleticism, as well as injury assessment and treatment. The program covers athletic events, practices, sports and conditioning camps, and requested physical education classes.
- Partners with those in the community seeking to improve or enhance their health through lifestyle changes and choices, particularly in the areas of obesity and heart disease.

# Mid-Columbia Medical Center and Affiliates

## Notes to Consolidated Financial Statements

### Note 3: Patient Accounts Receivable - Net

Patient accounts receivable - net consisted of the following as of December 31:

	2021	2020
Patient accounts receivable	\$ 27,878,665	\$ 24,526,139
Less - Contractual allowances and implicit price concessions	8,182,249	9,504,836
Patient accounts receivable - Net	\$ 19,696,416	\$ 15,021,303

### Note 4: Property and Equipment

Property and equipment consisted of the following as of December 31:

	2021	2020
Land	\$ 701,591	\$ 701,591
Land improvements	538,348	544,663
Buildings	19,681,669	19,540,385
Leasehold improvements	6,828,333	6,813,433
Fixed equipment	8,653,510	8,594,975
Furniture and moveable equipment	32,968,371	31,925,961
Totals	69,371,822	68,121,008
Less - Accumulated depreciation	(52,630,593)	(48,073,153)
Totals	16,741,229	20,047,855
Construction in progress	1,822,420	715,196
Property and equipment - Net	\$ 18,563,649	\$ 20,763,051

Included in property and equipment were assets under capital lease obligations with a cost of approximately \$1,710,000 and \$3,470,000 as of December 31, 2021 and 2020, respectively. Accumulated amortization related to these assets was approximately \$880,000 and \$2,430,000 as of December 31, 2021 and 2020, respectively.

# Mid-Columbia Medical Center and Affiliates

## Notes to Consolidated Financial Statements

### Note 5: Assets Limited as to Use

Assets limited as to use consisted of the following as of December 31:

	2021	2020
Internally designated for certain operating purposes:		
Money market funds	\$ 131,233	\$ 213,942
Common stock	122,925	150,431
Certificates of deposit	456,660	726,797
Corporate notes and government bonds	122,166	163,129
Accrued interest receivable	2,149	2,163
Total internally designated for certain operating purposes	835,133	1,256,462
Internally designated for investment purposes:		
Money market funds	2,345,274	2,851,333
Common stock	2,108,290	1,192,919
Certificates of deposit	474,674	1,139,419
Corporate notes and government bonds	4,947,543	3,889,421
Mutual and exchange traded funds	2,103,216	1,864,878
Accrued interest receivable	9,171	15,702
Total internally designated for investment purposes	11,988,168	10,953,672
Investments held by the Foundation:		
Money market funds	1,234,172	77,962
Mutual and exchange-traded funds	234,518	553,448
Certificates of deposit	396,100	1,085,478
Corporate notes and government bonds	4,249,870	3,329,790
Accrued interest receivable	3,184	4,065
Total investments held by the Foundation	6,117,844	5,050,743
Restricted for self-insurance-		
Certificate of deposit	130,050	130,000
Total assets limited as to use	\$ 19,071,195	\$ 17,390,877

# Mid-Columbia Medical Center and Affiliates

## Notes to Consolidated Financial Statements

### Note 6: Investment Income

Investment income, including unrestricted and restricted investments income, consisted of the following for the years ended December 31:

	2021	2020
Interest and dividend income	\$ 848,169	\$ 447,901
Realized and unrealized gains on investment - Net	544,460	442,473
Total investment income	\$ 1,392,629	\$ 890,374

### Note 7: Fair Value Measurements

Following is a description of the valuation methodologies used for assets measured at fair value:

*Common stock and corporate notes:* The fair value for common stock and corporate notes is determined based on quoted market prices and other observable market data.

*Corporate and government obligations:* Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

*Mutual funds and exchange traded funds:* Valued at the daily closing prices as reported by the fund. Mutual funds held by the Medical Center are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Medical Center are deemed to be actively traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Medical Center believes its valuation methods 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.

# Mid-Columbia Medical Center and Affiliates

## Notes to Consolidated Financial Statements

### Note 7: Fair Value Measurements (Continued)

The following tables set forth by level the Medical Center's assets at fair value:

<i>As of December 31, 2021</i>	Level 1	Level 2	Level 3	Total Assets at Fair Value
Assets limited to use:				
Common stock and corporate notes	\$ 6,481,084	\$ -	\$ -	\$ 6,481,084
Corporate and government obligations	-	5,069,709	-	5,069,709
Mutual and exchange-traded funds	-	2,337,734	-	2,337,734
Total value	\$ 6,481,084	\$ 7,407,443	\$ -	13,888,527
Other assets limited to use:				
Cash and cash equivalents				3,710,679
Certificates of deposit				1,457,485
Accrued interest income				14,504
Total assets limited as to use - Net				\$ 19,071,195

<i>As of December 31, 2020</i>	Level 1	Level 2	Level 3	Total Assets at Fair Value
Assets limited to use:				
Common stock and corporate notes	\$ 4,673,140	\$ -	\$ -	\$ 4,673,140
Corporate and government obligations	-	4,052,550	-	4,052,550
Mutual and exchange-traded funds	-	2,418,326	-	2,418,326
Total value	\$ 4,673,140	\$ 6,470,876	\$ -	11,144,016
Other assets limited to use:				
Cash and cash equivalents				3,143,237
Certificates of deposit				3,081,694
Accrued interest income				21,930
Total assets limited as to use and swap agreements - Net				\$ 17,390,877



# Mid-Columbia Medical Center and Affiliates

## Notes to Consolidated Financial Statements

### Note 8: Long-Term Debt

Long-term debt consisted of the following as of December 31:

	2021	2020
Note payable with Columbia, due in monthly installments of approximately \$10,000 including interest at 4.50%. Paid in full in 2021.	\$ -	\$ 526,047
Note payable to GE Capital, due in monthly installments of approximately \$5,000 including interest at 5.25%. Paid in full in 2021.	-	51,735
Note payable to a physician, due in monthly installments of approximately \$960 including interest at 4.25% (adjusted annually each July 1 to prime plus 1.00%, not to exceed 6.50% with a floor of 4.25%) through June 2025.	38,580	48,346
Note payable to Zions Bancorporation, N.A. dba The Commerce Bank of Oregon, due in monthly installments of approximately \$47,000 including interest at 3.961%, with a final payment of approximately \$6,430,000 due in January 2030, secured by substantially all of the Medical Center's real property and fixed equipment.	8,548,217	8,769,335
Less - Unamortized debt issuance costs	89,709	97,625
Long-term debt - Less unamortized debt issuance costs	8,497,088	9,297,838
Less current portion	240,391	808,702
Long-term portion	\$ 8,256,697	\$ 8,489,136

Required principal payments on long-term debt, including current maturities for the five years subsequent to December 31, 2021, and thereafter, are as follows:

2022	\$ 240,391
2023	249,863
2024	259,191
2025	265,832
2026	269,870
Thereafter	7,301,650
Total	\$ 8,586,797

# Mid-Columbia Medical Center and Affiliates

## Notes to Consolidated Financial Statements

### Note 9: Obligations under Capital Leases

Obligations under capital leases consisted of the following as of December 31:

	2021	2020
Lease obligation payable to GE HFS, LLC, due in monthly installments of approximately \$7,500 through July 2022, with interest at approximately 5.40%	\$ 51,482	\$ -
Lease obligation payable to Roche Diagnostics Corporation, due in monthly installments of approximately \$10,000 through April 2022, with interest at approximately 4.95%	39,975	156,025
Lease obligation payable to Huntington Technology Finance, Inc., due in monthly installments of approximately \$8,000 through April 2021, with interest at approximately 5.89%, paid in full in 2021	-	16,101
Lease obligation payable to Meridian Leasing, due in monthly installments of \$12,865 through January 2026, with interest at approximately 2.69%	596,323	647,081
Lease obligation payable to GE Capital, due in monthly installments of approximately \$3,000 through February 2022, with interest at approximately 4.60%	281	40,126
Other leases	-	10,426
Total	688,061	869,759
Less current portion	237,615	320,917
Long-term portion of capital leases payable	\$ 450,446	\$ 548,842

Future minimum lease payments under capital lease obligations for the five years subsequent to December 31, 2021, are as follows:

2022	\$ 247,627
2023	154,368
2024	154,368
2025	154,368
2026	12,864
Total minimum lease payments	723,595
Less - Amounts representing interest	35,534
Present value of minimum lease payments	\$ 688,061

# Mid-Columbia Medical Center and Affiliates

## Notes to Consolidated Financial Statements

### Note 10: Letter of Credit

The Medical Center maintains a letter of credit with Commerce Bank of Oregon in the amount of the lesser of \$5,000,000 or up to 75% of the net collectible value of all eligible accounts with variable interest. The letter of credit matures on May 1, 2022. The letter of credit is collateralized by substantially all of the Medical Center's real property and fixed equipment. As of December 31, 2021, there was no outstanding balance.

### Note 11: Medicare Advance

As a result of the COVID-19 pandemic, CMS offered an accelerated and advance payment program, which gave healthcare providers the opportunity to receive an advance on future Medicare payments. The Medical Center received a non-interest-bearing Medicare Advance of \$14,795,000 during the year ended December 31, 2020. Repayment of the Medicare Advance began 12 months after receipt of the advance, with recoupments capped at 25% of Medicare receipts during the 12th through 23rd months after the original advance, and 50% of Medicare receipts during the 24th to 29th month after the original advance. Interest will be charged on any remaining balance after the 29th month at an annual rate of 4.0%. The Medical Center recorded a liability totaling \$9,424,237 and \$14,795,000 at December 31, 2021 and 2020, respectively, which is reported as a Medicare Advance in the accompanying consolidated balance sheets. The current portion of the advance is management's estimate of the amount to be repaid within the next fiscal year.

### Note 12: Net Assets

#### Net Assets Without Donor Restrictions

The Board has designated net assets without donor restrictions for certain operating purposes and capital acquisitions for \$12,953,351 and \$12,340,134 as of December 31, 2021 and 2020, respectively.

#### Net Assets With Donor Restrictions

Net assets with donor restrictions were available for the following purposes as of December 31:

	2021	2020
Restricted for donor purposes:		
Capital purchases	\$ 2,402,596	\$ 3,203,484
Educational programs	283,803	52,932
Other purposes	457,287	272,259
Restricted in perpetuity, earnings to be used for the following:		
Educational and other purposes	422,223	418,647
Total assets with donor restrictions	\$ 3,565,909	\$ 3,947,322

# Mid-Columbia Medical Center and Affiliates

## Notes to Consolidated Financial Statements

### Note 12: Net Assets (Continued)

Net assets with donor restrictions to be maintained by the Medical Center in perpetuity are not significant to the consolidated financial statements.

As a result of having incurred expenditures that satisfied donor restrictions, the Medical Center released \$286,231 and \$1,172,419 of net assets from restrictions for operations and \$744,772 and \$744,774 for property and equipment in 2021 and 2020, respectively.

### Note 13: Patient Service Revenue

Patient service revenue was as follows for the years ended December 31:

	2021	2020
Gross patient service revenue:		
Hospital	\$ 270,265,437	\$ 255,585,271
Clinics	37,882,813	30,565,340
Total gross patient service revenue	308,148,250	286,150,611
Less - Contractual allowances, discounts, and implicit price concessions	177,724,665	168,314,306
Patient service revenue	\$130,423,585	\$ 117,836,305

Patient service revenue by major payor source was as follows for the years ended December 31:

	2021	2020
Medicare	\$ 53,375,087	\$ 48,835,984
Medicaid	15,692,510	16,118,275
BlueCross BlueShield	19,054,903	16,813,912
Other commercial insurance and third-party payors	39,372,507	33,007,799
Self-pay	2,928,578	3,060,335
Patient service revenue	\$130,423,585	\$ 117,836,305

# Mid-Columbia Medical Center and Affiliates

## Notes to Consolidated Financial Statements

### Note 14: Functional Expenses

The Medical Center provides general healthcare services to residents within its geographic location. The consolidated financial statements report certain categories of expenses that are attributable to one or more supporting functions of the Medical Center. Those expenses include depreciation, interest, insurance, wages, and employee benefits. Depreciation, interest, and insurance are allocated based on square footage while wages and employee benefits are allocated based on time spent. All other expenses are based on actual costs.

Expenses relating to providing these services consisted of the following for the years ended December 31:

			Admin and		
2021	Hospital	Clinics	General	Fundraising	Total
Salaries and wages	\$ 48,748,835	\$ 14,916,069	\$ 2,178,277	\$ 255,117	\$ 66,098,298
Employee benefits	11,080,080	2,372,344	613,525	30,918	14,096,867
Supplies	19,817,081	1,683,754	90,015	2,608	21,593,458
Professional fees	2,228,520	7,419,715	335	-	9,648,570
Purchased services	13,673,256	1,181,397	2,464,379	207,382	17,526,414
Rent	1,872,442	1,870,822	191,223	7,676	3,942,163
Repairs and maintenance	2,098,189	34,434	30,864	1,130	2,164,617
Utilities	996,736	78,174	179,584	1,178	1,255,672
Insurance	771,404	250,687	54,882	874	1,077,847
Interest and amortization	404,769	-	-	-	404,769
Depreciation	3,557,558	689,999	467,994	34	4,715,585
Other operating expenses	991,897	211,672	427,898	2,803	1,634,270
Total operating expenses	\$ 106,240,767	\$ 30,709,067	\$ 6,698,976	\$ 509,720	\$ 144,158,530

  

			Admin and		
2020	Hospital	Clinics	General	Fundraising	Total
Salaries and wages	\$ 46,341,927	\$ 13,566,351	\$ 2,081,417	\$ 290,872	\$ 62,280,567
Employee benefits	11,379,426	2,402,436	426,512	37,371	14,245,745
Supplies	18,097,007	1,558,797	65,338	5,975	19,727,117
Professional fees	3,054,199	7,644,854	3,602	-	10,702,655
Purchased services	10,451,142	1,210,768	844,140	267,715	12,773,765
Rent	2,025,453	1,991,460	67,044	19,299	4,103,256
Repairs and maintenance	1,870,849	67,378	13,415	317	1,951,959
Utilities	974,478	92,554	199,688	3,913	1,270,633
Insurance	(253,467)	170,671	30,870	776	(51,150)
Interest and amortization	458,641	-	-	205	458,846
Depreciation	4,007,138	693,634	473,598	-	5,174,370
Other operating expenses	1,082,428	119,083	311,047	2,413	1,514,971
Total operating expenses	\$ 99,489,221	\$ 29,517,986	\$ 4,516,671	\$ 628,856	\$ 134,152,734

# Mid-Columbia Medical Center and Affiliates

## Notes to Consolidated Financial Statements

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### Note 15: COVID-19 Relief Funds and Grant Revenue

During 2021 and 2020, the Medical Center received \$3,727,994 and \$13,400,768, respectively, in grant funding from the U.S. Department of Health and Human Services ("HHS") Provider Relief Fund, which was established as a result of the CARES Act and American Rescue Plan Funds. Based on the terms and conditions of the grant, the Medical Center earns the grant by incurring healthcare-related expenses attributable to COVID-19 that another source has not reimbursed and is not obligated to reimburse, or by incurring lost revenues, defined as a negative change in year-over-year net patient care revenue. The Medical Center recognized \$3,462,237 and \$10,880,933 of this funding in the years ended December 31, 2021 and 2020, respectively. The reflects management's estimate of the amount of the grant earned. In addition to the funds discussed above, the Medical Center received \$400,000 and \$197,846 from HHS for Covid Rural Health testing for the years ended December 31, 2021 and 2020, respectively. The Medical Center recognized \$197,846 and \$0 of this funding in the years ended December 31, 2021 and 2020, respectively. As of December 31, 2021 and 2020, the Medical Center recorded refundable advances related to the Provider Relief Funds and Rural Health Testing of \$3,185,592 and \$2,717,680, for the amount of the grants received but not earned which are included within refundable advances on the consolidated balance sheets.

### Note 16: Retirement Plan

The Medical Center has a contributory, defined contribution retirement plan (the "Plan"). Under the Plan, eligible participants receive a discretionary profit sharing contribution from the Medical Center. For the years ended December 31, 2021 and 2020, this profit sharing contribution was equal to 3% of each eligible participant's compensation. In addition, the Medical Center may make discretionary matching contributions to the Plan. For the years ended December 31, 2021 and 2020, the Medical Center's discretionary matching contributions were as follows:

<i>Participant Contributions</i>	<i>Matching Contributions</i>
Less than 2% of compensation	None
3% to 4% of contributions	1% of compensation
More than 5% of contributions	2% of compensation

Retirement plan costs associated with the Plan, which were charged to operations were approximately \$2,645,000 and \$2,523,000 for the years ended December 31, 2021 and 2020, respectively.

# Mid-Columbia Medical Center and Affiliates

## Notes to Consolidated Financial Statements

### Note 17: Collaboration Agreement

Effective July 1, 2014, the Medical Center entered into a Clinical Collaboration Agreement (the "Collaboration Agreement") with Oregon Health and Science University ("OHSU") with a goal of improving the overall health of, and access to quality, cost-effective care, for people in the Mid-Columbia region. The agreement was terminated in January 2022 with the Medical Center agreeing to pay OHSU the sum of \$1,500,000 based on certain criteria. The Medical Center has recorded a liability of \$1,000,000 at December 31, 2021 which is included in accounts payable on the consolidated balance sheets.

Significant amounts under the Collaboration Agreement included in the accompanying consolidated financial statements were as follows as of December 31:

	2021	2020
Balance sheet items:		
Other current liabilities - Current portion of payables to OHSU	\$ 3,530,294	\$ 2,344,303
Consolidated statements of operations and changes in net assets items:		
Professional fees - OHSU physician services	6,179,845	6,921,140
Purchased services - OHSU EHR technologies maintenance	2,055,636	2,171,317
Net assets released from restrictions used for property and equipment acquisitions - OHSU contributed EHR assets	744,774	744,774

### Note 18: Other Related-Parties

#### Columbia Gorge Health Council ("CGHC")

In 2011, the Oregon Legislature enacted House Bill 3650 (HB 3650), which established the initial framework for the creation of coordinated care organizations ("CCOs") within the State of Oregon. Section 26 of HB 3650 provided that CCOs would be responsible for providing fully integrated physical, mental, and dental health services for Oregon Health Plan patients effective August 1, 2012. In August 2012, CGHC was incorporated as an Oregon nonprofit corporation, and PacificSource was awarded the contract to serve as the CCO in the Mid-Columbia region. The Medical Center maintains a representative on CGHC's Board of Trustees.

The Medical Center has a risk pool based contract with PacificSource to provide healthcare services to certain OHP patients. In accordance with the terms of the Medical Center's contract with PacificSource, a percentage of the Medical Center's reimbursement for such healthcare services is retained by PacificSource in a risk pool reserve. To the extent that actual healthcare costs are less than agreed-upon medical target loss ratios, a portion of such amount is returned to the Medical Center. In addition, the Medical Center can earn a portion of a potential "surplus" based on PacificSource's actual healthcare costs. For the years ended December 31, 2021 and 2020, the Medical Center recognized approximately \$2,991,000 and \$15,900 of risk pool and surplus revenue and receivables (included in other receivables) in the accompanying consolidated financial statements.

# Mid-Columbia Medical Center and Affiliates

## Notes to Consolidated Financial Statements

### Note 19: Liquidity

The following reflects the Medical Center's financial assets and liquidity as of the consolidated balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

As part of the Medical Center's liquidity management, occasionally, the Board designates a portion of operating surplus to be appropriated at its discretion for future operational initiatives, debt service, and capital expenditures. Though these funds, at the discretion of the Board, could be released immediately, these funds are not considered available under the Medical Center's liquidity management.

Financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled debt service payments, and capital items, were as follows as of December 31:

	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 22,515,325	\$ 31,480,431
Accounts receivable - Net	19,696,416	15,021,303
Other receivables	1,552,618	523,591
Assets limited as to use	19,071,195	17,390,877
RHC "wrap-around" payment receivables included in estimated third-party payor settlements	1,688,263	1,378,442
Total financial assets and liquidity resources	64,523,817	65,794,644
Less those unavailable for general expenditures within one year, due to:		
Internally designated for certain operating purposes	835,133	1,256,462
Internally designated for investment purposes	11,988,168	10,953,672
Investments held by the Foundation	6,117,844	5,050,743
Restricted for self insurance	130,050	130,000
Total unavailable for general expenditures within one year	19,071,195	17,390,877
Financial assets available to meet cash needs for general expenditures within one year	\$ 45,452,622	\$ 48,403,767



# Mid-Columbia Medical Center and Affiliates

## Notes to Consolidated Financial Statements

### Note 20: Commitments and Contingencies

#### Operating Leases

The Medical Center leases certain equipment and facilities under operating lease agreements, which expire at various dates through 2039. Some of the lease agreements contain renewal options.

Future minimum payments under these operating lease agreements are as follows for the years ending December 31:

2022	\$ 2,068,712
2023	2,120,471
2024	2,173,522
2025	2,224,950
2026	2,274,694
Thereafter	33,471,715
<hr/>	
Future minimum lease payments	\$ 44,334,064

Total rent expense was approximately \$3,942,163 and \$4,103,256 during the years ended December 31, 2021 and 2020, respectively.

#### Purchase Commitment

In conjunction with the Collaboration Agreement and EHR technologies acquired, the Medical Center has agreed to various software application support, licensing, and maintenance agreements. Management anticipates that the expense related to such agreements will range from approximately \$1.9 million to \$2.1 million per year through 2023. Such estimated costs may vary based on the actual usage of OHSU's support staff.

In addition, one of the Medical Center's capital lease agreements requires it to purchase certain services, reagents, supplies, etc. aggregating approximately \$360,000 per year through May 2022.

#### Medical Malpractice Insurance

The Medical Center's professional liability insurance for claim losses of less than \$1,000,000 per claim \$3,000,000 per year covers professional liability claims reported during a policy ("claims made" coverage). The professional liability insurance policy is renewable annually and has been renewed by the insurance carrier for the period extending to January 1, 2023. Under a claims-made policy, the risk for claims and incident not asserted within the policy period remains with the Medical Center. Although there exists the possibility of claims arising from services provided to patients through December 31, 2021, which had not been asserted, the Medical Center is unable to determine the ultimate cost, if any, of such possible claim; accordingly, no provision has been made for them.

# Mid-Columbia Medical Center and Affiliates

## Notes to Consolidated Financial Statements

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### Note 20: Commitments and Contingencies (Continued)

#### Self Insurance

The Medical Center is self-insured for employee (and eligible family members of the employee) healthcare claims and for employee accident claims. The Medical Center has recorded estimated liabilities for employee accident and healthcare claims outstanding of approximately \$747,000 and \$755,000, which are included in accrued compensation and related liabilities in the accompanying consolidated balance sheets as of December 31, 2021 and 2020, respectively. In conjunction with the Medical Center's self-insured employee accident claims policy, the Medical Center has a \$130,000 standby letter of credit from Columbia Bank that extends through July 8, 2022, and the Medical Center maintains restricted certificates of deposit with the same Columbia Bank as collateral to support the payment of the related claims.

### Note 21: Concentrations

#### Receivables

The mix of receivables from patients and third-party payors was as follows as of December 31:

	2021	2020
Medicare	23 %	31 %
Medicaid	13 %	14 %
Other commercial insurance and third-party payors	55 %	41 %
Self-pay	9 %	14 %
Totals	100 %	100 %

#### Deposits

The Medical Center maintains depository relationships with area financial institutions. Depository accounts at these institutions are insured up to \$250,000. At December 31, 2021, the Medical Center had deposits in excess of insured limits of approximately \$11,200,000.

#### Collective Bargaining Agreement

As of December 31, 2021, approximately 12% of the Medical Center's employees are covered under a collective bargaining agreement with the Oregon Nurses Association, which expires in June 2024.

### Note 22: Reclassifications

Certain amounts for 2020, have been reclassified to conform with the 2021 presentation.

## **Supplementary Information**

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# Mid-Columbia Medical Center and Affiliates

## Consolidating Balance Sheet

December 31, 2021

	MCMC and Clinics	Foundation	Dry Hollow	Subtotal	Eliminations	Total
Current assets:						
Cash and cash equivalents	\$ 22,022,542	\$ 491,283	\$ 1,500	\$ 22,515,325	\$ -	\$ 22,515,325
Receivables:						
Patient accounts receivable - Net	19,696,416	-	-	19,696,416	-	19,696,416
Other receivables	1,261,928	290,690	-	1,552,618	-	1,552,618
Estimated third-party payor settlements	221,109	-	-	221,109	-	221,109
Supplies inventory	1,892,260	-	-	1,892,260	-	1,892,260
Prepaid expenses	1,624,790	-	-	1,624,790	-	1,624,790
Due from (due to) affiliates	(285,161)	(18,603)	303,764	-	-	-
<b>Total current assets</b>	<b>46,433,884</b>	<b>763,370</b>	<b>305,264</b>	<b>47,502,518</b>	<b>-</b>	<b>47,502,518</b>
Assets limited as to use	12,953,351	6,117,844	-	19,071,195	-	19,071,195
Property and equipment - Net	18,065,397	-	498,252	18,563,649	-	18,563,649
Other assets:						
Investments in affiliates	2,421,766	-	-	2,421,766	(2,421,766)	-
Goodwill	1,088,535	-	-	1,088,535	-	1,088,535
Other noncurrent assets	542,063	491,477	-	1,033,540	-	1,033,540
<b>Total other assets</b>	<b>4,052,364</b>	<b>491,477</b>	<b>-</b>	<b>4,543,841</b>	<b>(2,421,766)</b>	<b>2,122,075</b>
<b>TOTAL ASSETS</b>	<b>\$ 81,504,996</b>	<b>\$ 7,372,691</b>	<b>\$ 803,516</b>	<b>\$ 89,681,203</b>	<b>\$ (2,421,766)</b>	<b>\$ 87,259,437</b>

# Mid-Columbia Medical Center and Affiliates

## Consolidating Balance Sheet (Continued)

December 31, 2021

	MCMC and Clinics	Foundation	Dry Hollow	Subtotal	Eliminations	Total
Current liabilities:						
Accounts payable	\$ 5,895,633	\$ -	\$ -	\$ 5,895,633	\$ -	\$ 5,895,633
Current portion of Medicare advance	9,424,237	-	-	9,424,237	-	9,424,237
Accrued compensation and related liabilities	4,404,197	13,391	-	4,417,588	-	4,417,588
Accrued paid time-off	3,815,933	23,101	-	3,839,034	-	3,839,034
Refundable advance	3,443,968	-	-	3,443,968	-	3,443,968
Current portion of long-term debt	240,391	-	-	240,391	-	240,391
Current portion of capital lease obligations	237,615	-	-	237,615	-	237,615
Total current liabilities	27,461,974	36,492	-	27,498,466	-	27,498,466
Long-term liabilities:						
Long-term debt - Less current portion	8,256,697	-	-	8,256,697	-	8,256,697
Capital lease obligations - Less current portion	450,446	-	-	450,446	-	450,446
Postretirement benefit obligations	872,261	-	-	872,261	-	872,261
Other long-term liabilities	130,305	205,872	108,589	444,766	-	444,766
Total long-term liabilities	9,709,709	205,872	108,589	10,024,170	-	10,024,170
Total liabilities	37,171,683	242,364	108,589	37,522,636	-	37,522,636
Net assets:						
Without donor restrictions	43,644,676	4,253,055	694,927	48,592,658	(2,421,766)	46,170,892
With donor restrictions	688,637	2,877,272	-	3,565,909	-	3,565,909
Total net assets	44,333,313	7,130,327	694,927	52,158,567	(2,421,766)	49,736,801
TOTAL LIABILITIES AND NET ASSETS	\$ 81,504,996	\$ 7,372,691	\$ 803,516	\$ 89,681,203	\$ (2,421,766)	\$ 87,259,437

See Independent Auditor's Report.

# Mid-Columbia Medical Center and Affiliates

## Consolidating Statement of Operations and Changes in Net Assets

Year Ended December 31, 2021

	MCMC and Clinics	Foundation	Dry Hollow	Subtotal	Eliminations	Total
Revenue						
Patient service revenue	\$ 130,423,585	\$ -	\$ -	\$ 130,423,585	\$ -	\$ 130,423,585
Other operating revenue	14,423,503	595,245	109,649	15,128,397	(844,629)	14,283,768
Total revenue	144,847,088	595,245	109,649	145,551,982	(844,629)	144,707,353
Expenses:						
Salaries	65,843,181	255,117	-	66,098,298	-	66,098,298
Employee benefits	14,065,949	30,918	-	14,096,867	-	14,096,867
Supplies	21,590,850	2,608	-	21,593,458	-	21,593,458
Professional fees	9,648,570	-	-	9,648,570	-	9,648,570
Purchased services	17,305,659	207,382	13,373	17,526,414	-	17,526,414
Rent	4,044,136	7,676	-	4,051,812	(109,649)	3,942,163
Repairs and maintenance	2,163,487	1,130	-	2,164,617	-	2,164,617
Utilities	1,241,056	1,178	13,438	1,255,672	-	1,255,672
Insurance	1,075,661	874	1,312	1,077,847	-	1,077,847
Depreciation	4,674,126	34	41,425	4,715,585	-	4,715,585
Interest and amortization	404,769	-	-	404,769	-	404,769
Other operating expense	2,117,196	2,803	24,648	2,144,647	(510,377)	1,634,270
Total operating expenses	144,174,640	509,720	94,196	144,778,556	(620,026)	144,158,530
Income from operations	672,448	85,525	15,453	773,426	(224,603)	548,823
Other income (expense):						
Investment income	608,615	731,684	-	1,340,299	-	1,340,299
Change in investment in affiliates	165,397	-	-	165,397	(165,397)	-
Loss on disposal of property and equipment	(32,129)	(888)	-	(33,017)	-	(33,017)
Other expenses	12,697	(435,709)	-	(423,012)	224,603	(198,409)
Total other income	754,580	295,087	-	1,049,667	59,206	1,108,873
Excess of revenues over expenses	1,427,028	380,612	15,453	1,823,093	(165,397)	1,657,696

# Mid-Columbia Medical Center and Affiliates

## Consolidating Statement of Operations and Changes in Net Assets (Continued)

Year Ended December 31, 2021

	MCMC and Clinics	Foundation	Dry Hollow	Subtotal	Eliminations	Total
Excess of revenue over expenses - Carried forward	\$ 1,427,028	\$ 380,612	\$ 15,453	\$ 1,823,093	\$ (165,397)	\$ 1,657,696
Other changes in net assets without donor restrictions:						
Net assets released from restrictions used for operations	-	286,231	-	286,231	-	286,231
Net assets released from restrictions used for property and equipment acquisitions	744,772	-	-	744,772	-	744,772
Increase in net assets without donor restrictions	2,171,800	666,843	15,453	2,854,096	(165,397)	2,688,699
Changes in net assets with donor restrictions:						
Restricted contributions	-	551,707	-	551,707	-	551,707
Restricted investment income	-	52,330	-	52,330	-	52,330
Increase in value of split-interest agreement	-	45,553	-	45,553	-	45,553
Net assets released from restrictions used for operations	-	(286,231)	-	(286,231)	-	(286,231)
Net assets released from restrictions used for property and equipment acquisitions	(744,772)	-	-	(744,772)	-	(744,772)
Total decrease in net assets with donor restrictions	(744,772)	363,359	-	(381,413)	-	(381,413)
Change in net assets	1,427,028	1,030,202	15,453	2,472,683	(165,397)	2,307,286
Net assets at beginning	42,906,285	6,100,125	679,474	49,685,884	(2,256,369)	47,429,515
Net assets at end	\$ 44,333,313	\$ 7,130,327	\$ 694,927	\$ 52,158,567	\$ (2,421,766)	\$ 49,736,801

See Independent Auditor's Report.

# Mid-Columbia Medical Center and Affiliates

## Schedule of Expenditures of Federal Awards

Year Ended December 31, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Contract Number	Federal Assistance Listing Number	Federal Expenditures
U.S. Department of Health and Human Services -			
Direct:			
COVID-19 - Provider Relief Fund and American Rescue Plan Rural Distribution	N/A	93.498	\$ 13,401,984
COVID-19 - Testing and Mitigation for Rural Health Clinics	N/A	93.697	197,846
Passed through Oregon Department of Education:			
Child Care and Development Block Grant Cluster	ECC5-		
COVID-19 - Emergency Child Care Operating Costs	0000001723	93.575	17,219
COVID-19 - Child Care Stabilization	17365	93.575	233,680
Total Child Care and Development Block Grant Cluster			250,899
Total U.S. Department of Health and Human Services			13,850,729
U.S. Department of Treasury -			
Passed through Oregon Health Authority -			
Coronavirus Relief Fund -			
COVID-19 - Protect Oregon Farmworkers	165473	21.019	20,858
Total U.S. Department of Treasury			20,858
Total expenditures of federal awards			\$ 13,871,587

See Independent Auditor's Report.

See notes to schedule of expenditures of federal awards.



# Mid-Columbia Medical Center and Affiliates

## Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2021

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### Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards the ("Schedule") includes the federal award activity of Mid-Columbia Medical Center and Affiliates. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of Mid-Columbia Medical Center and Affiliates, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Mid-Columbia Medical Center and Affiliates.

### Note 2: Summary of Significant Accounting Policies

With the exception of expenditures related to the Provider Relief Fund ("PRF"), expenditures on the Schedule are reported on the accrual basis of accounting and 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. The PRF is not subject to cost principles requirements contained in the Uniform Guidance. Expenditures reported on the Schedule for PRF are based on the PRF period of availability, terms and conditions of the PRF program, and amounts reported in the PRF portal for the reporting period 1, due September 30, 2021, and reporting period 2, due March 31, 2022.

### Note 3: Indirect Cost Rate

Mid-Columbia Medical Center and Affiliates has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

### Note 4: Sub-Recipients

Mid-Columbia Medical Center and Affiliates does not have any sub-recipients of federal awards.

### Note 5: Interest Earned on Provider Relief Funds

PRF reported on the Schedule included \$1,216 of interest earned on PRF proceeds and used for allowable purposes.

## **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  
Mid-Columbia Medical Center and Affiliates  
The Dalles, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Mid-Columbia Medical Center and Affiliates, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Mid-Columbia Medical Center and Affiliates basic financial statements, and have issued our report thereon dated April 25, 2022.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Mid-Columbia Medical Center and Affiliates's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Mid-Columbia Medical Center and Affiliates internal control. Accordingly, we do not express an opinion on the effectiveness of the Mid-Columbia Medical Center and Affiliates 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 reasonable possibility that a material misstatement of the Mid-Columbia Medical Center and Affiliates's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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.

## **Report on Compliance and Other Matters**

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

### **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 Mid-Columbia Medical Center and Affiliates internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Mid-Columbia Medical Center and Affiliates internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Wipfli LLP". The script is cursive and fluid, with the letters "W", "i", "p", "f", "l", and "i" being particularly prominent and connected.

Wipfli LLP

Spokane, Washington

April 25, 2022

## **Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance**

Board of Trustees  
Mid-Columbia Medical Center and Affiliates  
The Dalles, Oregon

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

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

We have audited Mid-Columbia Medical Center and Affiliates compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2021. Mid-Columbia Medical Center and Affiliates major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Mid-Columbia Medical Center and Affiliates 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 December 31, 2021.

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Mid-Columbia Medical Center and Affiliates and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of Mid-Columbia Medical Center and Affiliates compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Mid-Columbia Medical Center and Affiliates federal program.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Mid-Columbia Medical Center and Affiliates's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Mid-Columbia Medical Center and Affiliates compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Mid-Columbia Medical Center and Affiliates compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Mid-Columbia Medical Center and Affiliates internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Mid-Columbia Medical Center and Affiliates internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

*Wipfli LLP*

Spokane, Washington  
April 25, 2022

# Mid-Columbia Medical Center and Affiliates

## Schedule of Findings and Questioned Costs

Year Ended December 31, 2021

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### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

    Material weakness(es) identified? ☐ yes ☒ no

    Significant deficiency(ies) identified? ☐ yes ☒ no

Noncompliance material to financial statements noted? ☐ yes ☒ no

#### Federal and State Awards

Internal control over major programs:

    Material weakness(es) identified? ☐ yes ☒ no

    Significant deficiency(ies) identified? ☐ yes ☒ no

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

Any audit findings disclosed that are required to be reported  
in accordance with the Uniform Guidance [2 CFR 200.516(a)]? ☐ yes ☒ no

Identification of major federal programs:

Assistance Listing Number  
93.498

Name of Federal Program or Cluster  
Provider Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs: 750,000

Auditee qualified as low-risk auditee? No

# Mid-Columbia Medical Center and Affiliates

## Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2021

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### Section II - Financial Statement Findings

None

### Section III – Federal Award Findings and Questioned Costs

None