

# Mid-Columbia Medical Center and Affiliates

Consolidated Financial Statements and  
Supplementary Information

Years Ended December 31, 2022 and 2021



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# Mid-Columbia Medical Center and Affiliates

## Consolidated Financial Statements and Supplementary Consolidating Information

Years Ended December 31, 2022 and 2021

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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 "Organization"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of operations and 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 Organization as of December 31, 2022 and 2021, 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 Organization 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 Organization'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 *Government Auditing Standards*, 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 Organization'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 Organization'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 May 16, 2023 on our consideration of the Organization'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 Organization'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 Organization's internal control over financial reporting and compliance.

*Wipfli LLP*

Wipfli LLP

Spokane, Washington

May 16, 2023

# Mid-Columbia Medical Center and Affiliates

## Consolidated Balance Sheets

<i>As of December 31,</i>	2022	2021
Current assets:		
Cash and cash equivalents	\$ 5,727,354	\$ 22,515,325
Receivables:		
Patient accounts receivable - Net	22,251,346	19,696,416
Other receivables	931,205	1,552,618
Estimated third-party payor settlements	-	221,109
Supplies inventory	1,585,823	1,892,260
Prepaid expenses	1,347,383	1,624,790
Total current assets	31,843,111	47,502,518
Assets limited as to use	12,904,699	19,071,195
Property and equipment - Net	15,108,251	18,563,649
Other assets:		
Goodwill	952,468	1,088,535
Right-of-use asset - Operating leases	37,766,927	-
Right-of-use asset - Finance lease	427,311	-
Other noncurrent assets	858,700	1,033,540
Total other assets	40,005,406	2,122,075
TOTAL ASSETS	\$ 99,861,467	\$ 87,259,437

# Mid-Columbia Medical Center and Affiliates

## Consolidated Balance Sheets (Continued)

<i>As of December 31,</i>	2022	2021
Current liabilities:		
Accounts payable	\$ 6,059,454	\$ 5,895,633
Estimated third-party payor settlements	431,066	-
Medicare advance	-	9,424,237
Accrued compensation and related liabilities	4,625,184	4,417,588
Accrued paid time-off	3,369,649	3,839,034
Refundable advances	-	3,443,968
Current portion of long-term debt	8,247,402	240,391
Current portion of finance lease obligation	144,828	237,615
Current portion of operating lease obligations	2,336,128	-
Total current liabilities	25,213,711	27,498,466
Long-term liabilities:		
Long-term debt - Less current portion	17,194	8,256,697
Finance lease obligation - Less current portion	288,716	450,446
Operating lease obligations - Less current portion	36,063,589	-
Postretirement benefit obligations	628,650	872,261
Other long-term liabilities	390,104	444,766
Total long-term liabilities	37,388,253	10,024,170
Total liabilities	62,601,964	37,522,636
Net assets:		
Without donor restrictions	33,877,134	46,170,892
With donor restrictions	3,382,369	3,565,909
Total net assets	37,259,503	49,736,801
TOTAL LIABILITIES AND NET ASSETS	\$ 99,861,467	\$ 87,259,437

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>	2022	2021
Revenue:		
Patient service revenue	\$ 123,212,559	\$ 130,423,585
Other operating revenue	14,634,977	14,283,768
Total revenue	137,847,536	144,707,353
Expenses:		
Salaries	66,901,859	66,098,298
Employee benefits	14,658,998	14,096,867
Supplies	21,811,280	21,593,458
Professional fees	8,960,013	9,648,570
Purchased services	19,928,426	17,526,414
Rent	4,595,668	3,942,163
Repairs and maintenance	2,476,513	2,164,617
Utilities	1,293,047	1,255,672
Insurance	718,287	1,077,847
Depreciation	4,778,893	4,715,585
Interest and amortization	363,686	404,769
Other operating expense	2,580,074	1,634,270
Total operating expenses	149,066,744	144,158,530
Income (loss) from operations	(11,219,208)	548,823
Other income (expense)		
Investment income (loss)	(1,341,427)	1,340,299
Loss on disposal of property and equipment	(2,281)	(33,017)
Other expenses	(858,848)	(198,409)
Total other income (expense)	(2,202,556)	1,108,873
Excess (deficiency) of revenue over expenses	\$ (13,421,764)	\$ 1,657,696



# Mid-Columbia Medical Center and Affiliates

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

<i>Years ended December 31,</i>	2022	2021
Excess (deficiency) of revenue over expenses - Carried forward	\$ (13,421,764)	\$ 1,657,696
Other changes in net assets without donor restrictions:		
Net assets released from restrictions used for operations	509,187	286,231
Net assets released from restrictions used for property and equipment acquisitions	618,819	744,772
Change in net assets without donor restrictions	(12,293,758)	2,688,699
Change in net assets with donor restrictions:		
Restricted contributions	925,250	551,707
Restricted investment income	64,602	52,330
Increase (decrease) in value of split-interest agreement	(45,386)	45,553
Net assets released from restrictions used for operations	(509,187)	(286,231)
Net assets released from restrictions used for property and equipment acquisitions	(618,819)	(744,772)
Change in net assets with donor restrictions	(183,540)	(381,413)
Change in net assets	(12,477,298)	2,307,286
Net assets at beginning of year	49,736,801	47,429,515
Net assets at end of year	\$ 37,259,503	\$ 49,736,801

See accompanying notes to consolidated financial statements.

# Mid-Columbia Medical Center and Affiliates

## Consolidated Statements of Cash Flows

<i>Years ended December 31,</i>	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (12,477,298)	\$ 2,307,286
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	4,778,893	4,715,585
Loss on sale of property and equipment	2,281	33,017
Amortization of debt issuance costs	7,916	7,916
Investment loss (income)	1,341,427	(1,340,299)
Amortization of goodwill	136,067	72,134
Restricted contributions and investment income	(944,466)	(649,590)
Changes in operating assets and liabilities:		
Patient accounts receivable - Net	(2,554,930)	(4,675,113)
Other receivables	621,413	(1,029,027)
Estimated third-party payor settlements - Net	652,175	(435,298)
Supplies inventory	306,437	(34,892)
Prepaid expenses	277,407	(259,796)
Other noncurrent assets - Net	174,841	145,088
Change in right-of-use asset and lease obligation - Operating leases	632,790	-
Accounts payable	163,821	119,474
Medicare advance	(9,424,237)	(5,370,763)
Accrued compensation and related liabilities	207,595	187,360
Refundable advance	(3,443,968)	726,288
Accrued paid time-off	(469,385)	15,661
Other noncurrent liabilities	(298,273)	(267,330)
<b>Net cash from operating activities</b>	<b>(20,309,494)</b>	<b>(5,732,299)</b>
Cash flows from investing activities:		
Net proceeds from (purchase of) assets limited as to use	4,825,069	(340,019)
Purchases of property and equipment	(1,753,087)	(2,355,556)
<b>Net cash from investing activities</b>	<b>3,071,982</b>	<b>(2,695,575)</b>

# Mid-Columbia Medical Center and Affiliates

## Consolidated Statements of Cash Flows (Continued)

<i>Years ended December 31,</i>	2022	2021
Cash flows from financing activities:		
Payments on long-term debt	\$ (240,408)	\$ (811,480)
Payments on finance lease obligation	(254,517)	(375,342)
Restricted contributions and investment income	944,466	649,590
Net cash from financing activities	449,541	(537,232)
Net change in cash and cash equivalents	(16,787,971)	(8,965,106)
Cash and cash equivalents at the beginning of the year	22,515,325	31,480,431
Cash and cash equivalents at the end of the year	\$ 5,727,354	\$ 22,515,325
Supplemental cash flow information:		
Cash paid for interest	\$ 355,770	\$ 396,853
Noncash financing activity		
Equipment acquired under finance lease obligations	\$ -	\$ 193,644

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 (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") was the sole member of the Medical Center, as well as the sole member or stockholder of several other affiliated organizations in 2021. The Region was dissolved in January 2022.

The accompanying consolidated financial statements include the accounts and transactions of the Medical Center and affiliates (collectively the "Organization"). 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 Organization 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 Organization, 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 Organization 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 Organization 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 Organization 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 Organization'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 Organization'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 2022 and 2021.

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 Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed into service.

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

The Organization 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 Organization has not recognized any impairment of property and equipment during 2022 and 2021.

#### **Goodwill**

The Organization amortizes goodwill on a straight-line basis over a period of 10 years. The Organization 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 Organization evaluates the impairment as of the end of the reporting period (interim or annual) in which the triggering event has occurred. No impairment adjustment was deemed necessary for the years ended December 31, 2022 and 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 Organization sponsors deferred compensation programs covering certain retirees. The deferred compensation programs are funded with investments.

#### **ASC 842 Lease Accounting**

The Organization is a lessee in multiple noncancelable operating and financing leases. If the contract provides the Organization the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. Right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. The ROU asset is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred.

The Organization has elected to use a risk-free rate for a term similar to the underlying lease as the discount rate if the implicit rate in the lease contract is not readily determinable.

The ROU asset for operating leases is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. The ROU asset for finance leases is amortized on a straight-line basis over the lease term. For operating leases with lease payments that fluctuate over the lease term, the total lease costs are recognized on a straight-line basis over the lease term.

For all underlying classes of assets, the Organization has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Organization is reasonably certain to exercise. Leases containing termination clauses in which either party may terminate the lease without cause and the notice period is less than 12 months are deemed short-term leases with lease costs included in short-term lease expense. The Organization recognizes short-term lease cost on a straight-line basis over the lease term.

The Organization made an accounting policy election to not separate the lease components of a contract and its associated non-lease components.

# Mid-Columbia Medical Center and Affiliates

## Notes to Consolidated Financial Statements

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

#### **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 Organization's Board. Net assets with donor restrictions are those whose use by the Organization has been limited by donors to a specific time period or purpose, or have been restricted by donors to be maintained by the Organization in perpetuity. Net assets restricted by donors to be maintained by the Organization in perpetuity were not significant to the accompanying consolidated financial statements as of December 31, 2022 and 2021.

#### **Patient Service Revenue**

Patient service revenue is reported at the amount that reflects the consideration to which the Organization 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 Organization 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 Organization 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 Organization's performance obligations relate to contracts with a duration of less than one year, the Organization 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 Organization 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 Organization 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 Organization 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 Organization 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 Organization's policy, and implicit price concessions provided to patients. The Organization determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policy, and historical experience. The Organization 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 Organization 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 Organization 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 Organization'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 2022 and 2021.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Organization also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. The Organization 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 Organization's mission, care is provided to patients regardless of their ability to pay. Therefore, the Organization 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 Organization expects to collect based on its collection history with those patients. The Organization's policy is to provide a discount from established charges to uninsured patients. This policy did not change in 2022 and 2021.

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 Organization'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 Organization 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 Organization 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 Organization's charity care policy is calculated by multiplying the Organization's ratio of cost to gross charges by the gross uncompensated charges associated with providing the charity care.

#### **Excess (Deficiency) of Revenues Over Expenses**

The accompanying consolidated statements of operations include the excess (deficiency) of revenue over expenses, which is considered the operating indicator. Changes in net assets without donor restrictions, which are excluded from the excess (deficiency) 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 Organization 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.

#### Accounting Pronouncements Adopted

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842). ASU 2016-02 is intended to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases on the balance sheet. This accounting update also requires additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases. The Organization adopted this guidance for the year ended December 31, 2022 with modified retrospective application to January 1, 2022 through a cumulative-effect adjustment. The Organization has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Organization accounted for its existing operating leases as operating leases and capital leases as finance leases under the new guidance, without reassessing (a) whether the contracts contain a lease under ASC Topic 842, (b) whether the classification of the leases would be different in accordance with ASC Topic 842, or (c) whether any unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. Similarly, the Organization did not reassess service contracts evaluated for lease treatment under ASC 840 for embedded leases under ASC 842.

As a result of the adoption of the new lease accounting guidance, the Organization recognized the following ROU assets and lease liabilities as of January 1, 2022:

Right-of-use asset - Operating leases	\$ 40,574,756
Right-of-use asset - Finance lease	574,529
Lease obligation - Operating leases	40,756,390
Lease obligation - Finance lease	574,529

# Mid-Columbia Medical Center and Affiliates

## Notes to Consolidated Financial Statements

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

#### **Accounting Pronouncements Adopted** (Continued)

This standard did not have a material impact on the Organization's net assets or cash flows from operations and had an immaterial impact on the Organization's operating results. The most significant impact was the recognition of the ROU assets and lease obligations for operating and finance leases.

#### **Subsequent Events**

Subsequent events have been evaluated through May 16, 2023, which is the date the consolidated financial statements were available to be issued. Subsequent events are described in Note 8 and Note 23.

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

The Organization's philosophy embraces a definition of health that acknowledges the interdependence of biological, social, intellectual, environmental, and spiritual components. This definition has broadened the Organization's focus and prioritization of resources dedicated to improving the health of the communities within the Organization's geographic location. The Organization's goal is to lead and act as a catalyst in promoting health for all people in its service area. The Organization 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.

In keeping with the Organization's goal to serve all members of the community, free care, and/or subsidized care is provided. The Organization provided \$5,168,387 and \$5,752,549 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, 2022 and 2021, respectively. Management estimates that the net cost of charity care provided was approximately \$2,092,000 and \$2,320,000 for the years ended December 31, 2022 and 2021, respectively. These estimates were based on the Organization's ratio of cost to charges each year.

The Organization believes in community partnerships and preventive programs, which enhance the health and wellness of community members. Some of the Organization'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 Organization, 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.

# Mid-Columbia Medical Center and Affiliates

## Notes to Consolidated Financial Statements

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

- 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.

### Note 3: Patient Accounts Receivable - Net

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

	2022	2021
Patient accounts receivable	\$ 34,728,598	\$ 27,878,665
Less - Contractual allowances and implicit price concessions	12,477,252	8,182,249
Patient accounts receivable - Net	\$ 22,251,346	\$ 19,696,416

# Mid-Columbia Medical Center and Affiliates

## Notes to Consolidated Financial Statements

### Note 4: Property and Equipment

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

	2022	2021
Land	\$ 701,591	\$ 701,591
Land improvements	542,001	538,348
Buildings	19,830,957	19,681,669
Leasehold improvements	7,030,382	6,828,333
Fixed equipment	7,819,407	8,653,510
Furniture and moveable equipment	35,016,044	32,968,371
Totals	70,940,382	69,371,822
Less - Accumulated depreciation	(57,083,951)	(52,630,593)
Totals	13,856,431	16,741,229
Construction in progress	1,251,820	1,822,420
Property and equipment - Net	\$ 15,108,251	\$ 18,563,649

# 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:

	2022	2021
Internally designated for certain operating purposes:		
Money market funds	\$ 167,939	\$ 131,233
Common stock	-	122,925
Certificates of deposit	382,485	456,660
Corporate notes and government bonds	76,349	122,166
Accrued interest receivable	1,875	2,149
Total internally designated for certain operating purposes	628,648	835,133
Internally designated for investment purposes:		
Money market funds	1,203,148	2,345,274
Common stock	1,079,491	2,108,290
Certificates of deposit	54,197	474,674
Corporate notes and government bonds	2,348,804	4,947,543
Mutual and exchange traded funds	2,162,377	2,103,216
Accrued interest receivable	3,809	9,171
Total internally designated for investment purposes	6,851,826	11,988,168
Investments held by the Foundation:		
Money market funds	686,796	1,234,172
Mutual and exchange-traded funds	416,208	234,518
Certificates of deposit	319,298	396,100
Corporate notes and government bonds	3,867,259	4,249,870
Accrued interest receivable	4,631	3,184
Total investments held by the Foundation	5,294,192	6,117,844
Restricted for self-insurance-		
Certificate of deposit	130,033	130,050
Total assets limited as to use	\$ 12,904,699	\$ 19,071,195



# Mid-Columbia Medical Center and Affiliates

## Notes to Consolidated Financial Statements

### Note 6: Investment Income (loss)

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

	2022	2021
Interest and dividend income	\$ 157,190	\$ 848,169
Realized and unrealized gains (losses) on investment - Net	(1,434,015)	544,460
Total investment income (loss)	\$ (1,276,825)	\$ 1,392,629

### 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 Organization 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 Organization 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 Organization 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 Organization's assets at fair value:

<i>As of December 31, 2022</i>	Level 1	Level 2	Level 3	Total Assets at Fair Value
Assets limited to use:				
Common stock and corporate notes	\$ 4,947,036	\$ -	\$ -	\$ 4,947,036
Corporate and government obligations	-	2,425,153	-	2,425,153
Mutual and exchange-traded funds	2,578,585	-	-	2,578,585
Total value	\$ 7,525,621	\$ 2,425,153	\$ -	9,950,774
Other assets limited to use:				
Cash and cash equivalents				2,057,596
Certificates of deposit				886,014
Accrued interest income				10,315
Total assets limited as to use - Net				\$ 12,904,699

  

<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	\$ 8,818,818	\$ 5,069,709	\$ -	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 and swap agreements - Net				\$ 19,071,195

# 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:

	2022	2021
Note payable to a physician, due in monthly installments of approximately \$1,017 including interest at 5.75% (adjusted annually each July 1 to prime plus 1.00%, not to exceed 6.50% with a floor of 4.25%) through June 2025.	\$ 28,342	\$ 38,580
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%, secured by substantially all of the Organization's real property and fixed equipment. The remaining balance of the note is due in June 2023.	8,318,047	8,548,217
Total	8,346,389	8,586,797
Less - Unamortized debt issuance costs	(81,793)	(89,709)
Less - Current portion	(8,247,402)	(240,391)
Long-term portion	\$ 17,194	\$ 8,256,697

On March 28, 2023, Zions Bancorporation, N.A. (Zion) notified the Organization that due to the Organization's failure to meet certain covenants contained in the Business Loan Agreement and its impending Change of Ownership (see Note 23), Zion was declaring the Organization to be in default and accelerating the balance owed on the note to be due in full by June 15, 2023. Accordingly, the Organization is presenting the full amount of this note as a current liability.

Required principal payments on long-term debt, including current maturities for the five years subsequent to December 31, 2022, and thereafter, are as follows:

2023	\$ 8,247,402
2024	11,492
2025	5,702
Total debt, less unamortized debt issuance costs	\$ 8,264,596

# Mid-Columbia Medical Center and Affiliates

## Notes to Consolidated Financial Statements

### Note 9: Leases

The Organization leases certain facilities and equipment. The majority of leases entered into include one or more options to renew. The exercise of lease renewal options is at the Organization's sole discretion. Renewal option periods are included in the measurement of the ROU asset and lease liability when the exercise is reasonably certain to occur. Any renewal options the Organization intends to exercise have been recognized in the respective right-of-use asset and liability.

The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Payments due under the lease contracts include fixed payments.

Components of lease expense were as follows for the year ended December 31, 2022:

Lease cost:	
Finance lease cost:	
Interest	\$ 7,690
Amortization of right-of-use asset	146,688
Operating lease cost	3,099,136
Short-term lease cost	1,486,692
Total lease cost	\$ 4,740,206

Lease expense, included in rent in the accompanying consolidated statements of operations and changes in net assets for the year ended December 31, 2021 was approximately \$3,942,000.

Supplemental cash flow information related to leases is as follows for the year ended December 31, 2022:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from finance lease	\$ 16,040
Operating cash flows from operating leases	\$ 3,099,136
Financing cash flows from finance lease	\$ 254,517

# Mid-Columbia Medical Center and Affiliates

## Notes to Consolidated Financial Statements

### Note 9: Leases (Continued)

Supplemental information for the year ended December 31, 2022:

Weighted-average remaining lease term - Finance lease	\$	2.92
Weighted-average remaining lease term - Operating leases		15.65
Weighted-average discount rate - Finance lease		2.69 %
Weighted-average discount rate - Operating leases		1.90 %

Maturities of lease liabilities are as follows as of December 31, 2022:

	Finance Lease	Operating Leases
2023	\$ 154,378	\$ 3,042,327
2024	154,378	2,835,110
2025	141,513	2,716,222
2026	-	2,600,004
2027	-	2,538,295
Thereafter	-	31,068,245
Total lease payments	450,269	44,800,203
Less imputed interest	(16,725)	(6,400,486)
Total	\$ 433,544	\$ 38,399,717

### Note 10: 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 Organization 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. The Organization recorded a liability totaling \$9,424,237 at December 31, 2021, which is reported as a Medicare Advance in the accompanying consolidated balance sheets. The full balance was paid off in 2022.

# Mid-Columbia Medical Center and Affiliates

## Notes to Consolidated Financial Statements

### Note 11: Revolving Line of Credit

The Organization maintains a revolving line 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 revolving line of credit is collateralized by net accounts receivable. As of December 31, 2022 and 2021, there was no outstanding balance. The revolving line of credit was closed in 2023.

### 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 \$7,610,507 and \$12,953,351 as of December 31, 2022 and 2021, respectively.

#### Net Assets With Donor Restrictions

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

	2022	2021
Restricted for donor purposes:		
Capital purchases	\$ 1,989,674	\$ 2,402,596
Educational programs	303,473	283,803
Other purposes	661,439	457,287
Restricted in perpetuity, earnings to be used for the following:		
Educational and other purposes	427,783	422,223
Total assets with donor restrictions	\$ 3,382,369	\$ 3,565,909

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

As a result of having incurred expenditures that satisfied donor restrictions, the Organization released \$509,187 and \$286,231 of net assets from restrictions for operations and \$618,819 and \$744,772 for property and equipment in 2022 and 2021, respectively.

# Mid-Columbia Medical Center and Affiliates

## Notes to Consolidated Financial Statements

### Note 13: Patient Service Revenue

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

	2022	2021
Gross patient service revenue:		
Hospital	\$ 263,738,582	\$ 270,265,437
Clinics	36,164,811	37,882,813
Total gross patient service revenue	299,903,393	308,148,250
Less - Contractual allowances, discounts, and implicit price concessions	176,690,834	180,918,967
Patient service revenue	\$ 123,212,559	\$ 130,423,585

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

	2022	2021
Medicare	\$ 70,018,892	\$ 53,375,087
Medicaid	16,821,546	15,692,510
BlueCross BlueShield	18,307,773	19,054,903
Other commercial insurance and third-party payors	15,260,814	39,372,507
Self-pay	2,803,534	2,928,578
Patient service revenue	\$123,212,559	\$ 130,423,585

# Mid-Columbia Medical Center and Affiliates

## Notes to Consolidated Financial Statements

### Note 14: Functional Expenses

The Organization 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 Organization. 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:

2022	Hospital	Clinics	Admin and General	Fundraising	Total
Salaries and wages	\$ 48,098,361	\$ 16,535,377	\$ 2,034,986	\$ 233,135	\$ 66,901,859
Employee benefits	11,005,425	2,900,784	708,466	44,323	14,658,998
Supplies	20,353,658	1,370,246	104,996	(17,620)	21,811,280
Professional fees	1,801,013	7,158,454	546	-	8,960,013
Purchased services	16,383,660	1,117,049	2,242,804	184,913	19,928,426
Rent	1,784,148	2,117,152	629,266	65,102	4,595,668
Repairs and maintenance	2,320,716	58,387	95,219	2,191	2,476,513
Utilities	1,002,855	71,440	217,932	820	1,293,047
Insurance	454,356	233,475	29,617	839	718,287
Depreciation	3,620,839	613,373	544,681	-	4,778,893
Interest and amortization	363,686	-	-	-	363,686
Other operating expenses	2,073,813	194,423	310,120	1,718	2,580,074
<b>Total operating expenses</b>	<b>\$ 109,262,530</b>	<b>\$ 32,370,160</b>	<b>\$ 6,918,633</b>	<b>\$ 515,421</b>	<b>\$ 149,066,744</b>

2021	Hospital	Clinics	Admin and 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
Depreciation	3,557,558	689,999	467,994	34	4,715,585
Interest and amortization	404,769	-	-	-	404,769
Other operating expenses	991,897	211,672	427,898	2,803	1,634,270
<b>Total operating expenses</b>	<b>\$ 106,240,767</b>	<b>\$ 30,709,067</b>	<b>\$ 6,698,976</b>	<b>\$ 509,720</b>	<b>\$ 144,158,530</b>



# 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 2022 and 2021, the Organization received \$0 and \$3,727,994, 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 Organization 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 Organization recognized \$2,785,592 and \$3,462,237 of this funding in the years ended December 31, 2022 and 2021, respectively. The reflects management's estimate of the amount of the grant earned. In addition to the funds discussed above, the Organization received \$0 and \$400,000 from HHS for Covid Rural Health testing for the years ended December 31, 2022 and 2021, respectively. The Organization recognized \$400,000 and \$197,846 of this funding in the years ended December 31, 2022 and 2021, respectively. As of December 31, 2022 and 2021, the Organization recorded refundable advances related to the Provider Relief Funds and Rural Health Testing of \$0 and \$3,185,592, 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 Organization has a contributory, defined contribution retirement plan (the "Plan"). Under the Plan, eligible participants receive a 1:1 match of up to 6% of compensation. Retirement plan costs associated with the Plan, which were charged to operations were approximately \$2,840,000 and \$2,645,000 for the years ended December 31, 2022 and 2021, respectively.

### **Note 17: Collaboration Agreement**

Effective July 1, 2014, the Organization 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 Organization agreeing to pay OHSU the sum of \$1,500,000 based on certain criteria. The Organization 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 at December 31, 2021 included professional fees for OHSU physician services of \$3,650,892 and purchased services for OHSU EHR technologies maintenance of \$1,977,619.

# Mid-Columbia Medical Center and Affiliates

## Notes to Consolidated Financial Statements

### Note 18: Liquidity

The following reflects the Organization'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 Organization'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 Organization'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:

	2022	2021
Financial assets:		
Cash and cash equivalents	\$ 5,727,354	\$ 22,515,325
Accounts receivable - Net	22,251,346	19,696,416
Other receivables	931,205	1,552,618
Assets limited as to use	12,904,699	19,071,195
Liquidity resources:		
Line of credit	5,000,000	5,000,000
Total financial assets and liquidity resources	46,814,604	67,835,554
Less those unavailable for general expenditures within one year, due to:		
Internally designated for certain operating purposes	628,648	835,133
Internally designated for investment purposes	6,851,826	11,988,168
Investments held by the Foundation	5,294,192	6,117,844
Restricted for self insurance	130,033	130,050
Total unavailable for general expenditures within one year	12,904,699	19,071,195
Financial assets available to meet cash needs for general expenditures within one year	\$ 33,909,905	\$ 48,764,359

# Mid-Columbia Medical Center and Affiliates

## Notes to Consolidated Financial Statements

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### Note 19: 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 Organization maintains a representative on CGHC's Board of Trustees.

The Organization has a risk pool based contract with PacificSource to provide healthcare services to certain OHP patients. In accordance with the terms of the Organization's contract with PacificSource, a percentage of the Organization'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 Organization. In addition, the Organization can earn a portion of a potential "surplus" based on PacificSource's actual healthcare costs. For the years ended December 31, 2022 and 2021, the Organization recognized approximately \$2,317,000 and \$2,991,000 of risk pool and surplus revenue and receivables (included in other receivables) in the accompanying consolidated financial statements.

### Note 20: Commitments and Contingencies

#### Purchase Commitment

In conjunction with the Collaboration Agreement and EHR technologies acquired, the Organization 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.

#### Medical Malpractice Insurance

The Organization'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, 2024. Under a claims-made policy, the risk for claims and incident not asserted within the policy period remains with the Organization. Although there exists the possibility of claims arising from services provided to patients through December 31, 2022, which had not been asserted, the Organization 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

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

#### Self Insurance

The Organization is self-insured for employee (and eligible family members of the employee) healthcare claims and for employee accident claims. The Organization has recorded estimated liabilities for employee accident and healthcare claims outstanding of approximately \$748,000 and \$747,000, which are included in accrued compensation and related liabilities in the accompanying consolidated balance sheets as of December 31, 2022 and 2021, respectively. In conjunction with the Organization's self-insured employee accident claims policy, the Organization has a \$130,000 standby letter of credit from Columbia Bank that extends through June 1, 2023, and the Organization maintains restricted certificates of deposit with the same Columbia Bank as collateral to support the payment of the related claims.

### Note 21: Concentrations

Financial instruments that subject the Organization to possible credit risk consist principally of accounts receivable and cash deposits in excess of insured limits.

#### Receivables

Patient receivables consist of amounts due from patients, their insurers, or governmental agencies (primarily Medicare and Medicaid) for healthcare services provided to patients. The majority of the Organization's patients are from The Dalles, Oregon and the surrounding area.

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

	2022	2021
Medicare	26 %	23 %
Medicaid	15 %	13 %
Other commercial insurance and third-party payors	47 %	55 %
Self-pay	12 %	9 %
Totals	100 %	100 %

#### Deposits

The Organization maintains depository relationships with area financial institutions. Depository accounts at these institutions are insured up to \$250,000. At December 31, 2022, the Organization had deposits in excess of insured limits of approximately \$723,000.

# Mid-Columbia Medical Center and Affiliates

## Notes to Consolidated Financial Statements

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### **Note 21: Concentrations** (Continued)

#### **Collective Bargaining Agreement**

As of December 31, 2022, approximately 16% of the Organization's employees are covered under a collective bargaining agreement with the Oregon Nurses Association, which expires in June 2024. As of December 31, 2022, the Organization was in negotiations with the Oregon Federation of Nurses and Health Professionals (OFNHP) to represent a portion of the Organization's employees.

### **Note 22: Reclassifications**

Certain amounts for 2021, have been reclassified to conform with the 2022 presentation.

### **Note 23: Subsequent Event**

In December 2022, the Medical Center's Board approved an affiliation agreement for the Medical Center to join Adventist Health System/West (Adventist Health) as an affiliate hospital. This is intended to occur through a membership transfer, whereby Stone Point Health, a subsidiary of Adventist Health, will become the sole member of the Medical Center. This affiliation is intended to strengthen the operations of the Medical Center by providing greater access to capital, technology, economies of scale, expertise, and more to ensure that the Medical Center can continue providing high-quality care to its community well into the future. As part of this agreement, Adventist Health has committed to investing at least \$100 million over 10 years into facility improvements, strategic expansions, equipment, technology, systems, and/or capital projects. This transaction was subject to state regulatory approval and received approval from both the Oregon Health Authority and the Oregon Attorney General on April 14, 2023. As of the date these consolidated financial statements were available to be issued, the expected effective date for this affiliation was June 1, 2023.

## **Supplementary Information**

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# Mid-Columbia Medical Center and Affiliates

## Consolidating Balance Sheet

December 31, 2022

	MCMC and Clinics	Foundation	Dry Hollow	Subtotal	Eliminations	Total
Current assets:						
Cash and cash equivalents	\$ 5,442,948	\$ 282,906	\$ 1,500	\$ 5,727,354	\$ -	\$ 5,727,354
Receivables:						
Patient accounts receivable - Net	22,251,346	-	-	22,251,346	-	22,251,346
Other receivables	676,279	254,926	-	931,205	-	931,205
Supplies inventory	1,585,823	-	-	1,585,823	-	1,585,823
Prepaid expenses	1,347,383	-	-	1,347,383	-	1,347,383
Due from (due to) affiliates	(416,373)	15,258	401,115	-	-	-
<b>Total current assets</b>	<b>30,887,406</b>	<b>553,090</b>	<b>402,615</b>	<b>31,843,111</b>	<b>-</b>	<b>31,843,111</b>
Assets limited as to use	7,610,507	5,294,192	-	12,904,699	-	12,904,699
Property and equipment - Net	14,686,279	-	421,972	15,108,251	-	15,108,251
Other assets:						
Investments in affiliates	2,311,548	-	-	2,311,548	(2,311,548)	-
Goodwill	952,468	-	-	952,468	-	952,468
Right-of-use asset - Operating leases	37,766,927	-	-	37,766,927	-	37,766,927
Right-of-use asset - Finance lease	427,311	-	-	427,311	-	427,311
Other noncurrent assets	464,655	394,045	-	858,700	-	858,700
<b>Total other assets</b>	<b>41,922,909</b>	<b>394,045</b>	<b>-</b>	<b>42,316,954</b>	<b>(2,311,548)</b>	<b>40,005,406</b>
<b>TOTAL ASSETS</b>	<b>\$ 95,107,101</b>	<b>\$ 6,241,327</b>	<b>\$ 824,587</b>	<b>\$ 102,173,015</b>	<b>\$ (2,311,548)</b>	<b>\$ 99,861,467</b>

# Mid-Columbia Medical Center and Affiliates

## Consolidating Balance Sheet (Continued)

December 31, 2022

	MCMC and Clinics	Foundation	Dry Hollow	Subtotal	Eliminations	Total
Current liabilities:						
Accounts payable	\$ 6,059,454	\$ -	\$ -	\$ 6,059,454	\$ -	\$ 6,059,454
Estimated third-party payor settlements	431,066	-	-	431,066	-	431,066
Accrued compensation and related liabilities	4,614,993	10,191	-	4,625,184	-	4,625,184
Accrued paid time-off	3,369,649	-	-	3,369,649	-	3,369,649
Current portion of long-term debt	8,247,402	-	-	8,247,402	-	8,247,402
Current portion of finance lease obligation	144,828	-	-	144,828	-	144,828
Current portion of operating lease obligations	2,336,128	-	-	2,336,128	-	2,336,128
<b>Total current liabilities</b>	<b>25,203,520</b>	<b>10,191</b>	<b>-</b>	<b>25,213,711</b>	<b>-</b>	<b>25,213,711</b>
Long-term liabilities:						
Long-term debt - Less current portion	17,194	-	-	17,194	-	17,194
Finance lease obligation - Less current portion	288,716	-	-	288,716	-	288,716
Operating lease obligations - Less current portion	36,063,589	-	-	36,063,589	-	36,063,589
Postretirement benefit obligations	628,650	-	-	628,650	-	628,650
Other long-term liabilities	130,978	157,458	101,668	390,104	-	390,104
<b>Total long-term liabilities</b>	<b>37,129,127</b>	<b>157,458</b>	<b>101,668</b>	<b>37,388,253</b>	<b>-</b>	<b>37,388,253</b>
<b>Total liabilities</b>	<b>62,332,647</b>	<b>167,649</b>	<b>101,668</b>	<b>62,601,964</b>	<b>-</b>	<b>62,601,964</b>
Net assets:						
Without donor restrictions	32,085,817	3,379,946	722,919	36,188,682	(2,311,548)	33,877,134
With donor restrictions	688,637	2,693,732	-	3,382,369	-	3,382,369
<b>Total net assets</b>	<b>32,774,454</b>	<b>6,073,678</b>	<b>722,919</b>	<b>39,571,051</b>	<b>(2,311,548)</b>	<b>37,259,503</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 95,107,101</b>	<b>\$ 6,241,327</b>	<b>\$ 824,587</b>	<b>\$ 102,173,015</b>	<b>\$ (2,311,548)</b>	<b>\$ 99,861,467</b>

See Independent Auditor's Report.



# Mid-Columbia Medical Center and Affiliates

## Consolidating Statement of Operations and Changes in Net Assets

Year Ended December 31, 2022

	MCMC and Clinics	Foundation	Dry Hollow	Subtotal	Eliminations	Total
Revenue						
Patient service revenue	\$ 123,212,559	\$ -	\$ -	\$ 123,212,559	\$ -	\$ 123,212,559
Other operating revenue	14,571,677	598,053	107,554	15,277,284	(642,307)	14,634,977
Total revenue	137,784,236	598,053	107,554	138,489,843	(642,307)	137,847,536
Expenses:						
Salaries	66,668,724	233,135	-	66,901,859	-	66,901,859
Employee benefits	14,614,675	44,323	-	14,658,998	-	14,658,998
Supplies	21,828,900	(17,620)	-	21,811,280	-	21,811,280
Professional fees	8,960,013	-	-	8,960,013	-	8,960,013
Purchased services	19,743,513	184,913	-	19,928,426	-	19,928,426
Rent	4,638,120	65,102	-	4,703,222	(107,554)	4,595,668
Repairs and maintenance	2,474,322	2,191	-	2,476,513	-	2,476,513
Utilities	1,277,381	820	14,846	1,293,047	-	1,293,047
Insurance	716,189	839	1,259	718,287	-	718,287
Depreciation	4,738,961	-	39,932	4,778,893	-	4,778,893
Interest and amortization	363,686	-	-	363,686	-	363,686
Other operating expense	3,093,146	1,718	19,963	3,114,827	(534,753)	2,580,074
Total operating expenses	149,117,630	515,421	76,000	149,709,051	(642,307)	149,066,744
Income (loss) from operations	(11,333,394)	82,632	31,554	(11,219,208)	-	(11,219,208)
Other income (expense):						
Investment income (loss)	(456,902)	(884,525)	-	(1,341,427)	-	(1,341,427)
Change in investment in affiliates	(110,218)	-	-	(110,218)	110,218	-
Loss on disposal of property and equipment	(2,281)	-	-	(2,281)	-	(2,281)
Other expenses	(136,672)	(718,614)	(3,562)	(858,848)	-	(858,848)
Total other income (expense)	(706,073)	(1,603,139)	(3,562)	(2,312,774)	110,218	(2,202,556)
Excess (deficiency) of revenues over expenses	(12,039,467)	(1,520,507)	27,992	(13,531,982)	110,218	(13,421,764)

# Mid-Columbia Medical Center and Affiliates

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

Year Ended December 31, 2022

	MCMC and Clinics	Foundation	Dry Hollow	Subtotal	Eliminations	Total
Excess (deficiency) of revenue over expenses - Carried forward	\$ (12,039,467)	\$ (1,520,507)	\$ 27,992	\$ (13,531,982)	\$ 110,218	\$ (13,421,764)
Other changes in net assets without donor restrictions:						
Net assets released from restrictions used for operations	-	509,187	-	509,187	-	509,187
Net assets released from restrictions used for property and equipment acquisitions		618,819	-	618,819	-	618,819
Net assets transferred to affiliates	480,608	(480,608)	-	-	-	-
Increase (decrease) in net assets without donor restrictions	(11,558,859)	(873,109)	27,992	(12,403,976)	110,218	(12,293,758)
Change in net assets with donor restrictions:						
Restricted contributions	-	925,250	-	925,250	-	925,250
Restricted investment income	-	64,602	-	64,602	-	64,602
Change in value of split-interest agreement	-	(45,386)	-	(45,386)	-	(45,386)
Net assets released from restrictions used for operations	-	(509,187)	-	(509,187)	-	(509,187)
Net assets released from restrictions used for property and equipment acquisitions	-	(618,819)	-	(618,819)	-	(618,819)
Change in net assets with donor restrictions	-	(183,540)	-	(183,540)	-	(183,540)
Change in net assets	(11,558,859)	(1,056,649)	27,992	(12,587,516)	110,218	(12,477,298)
Net assets at beginning of year	44,333,313	7,130,327	694,927	52,158,567	(2,421,766)	49,736,801
Net assets at end of year	\$ 32,774,454	\$ 6,073,678	\$ 722,919	\$ 39,571,051	\$ (2,311,548)	\$ 37,259,503

See Independent Auditor's Report.

# Mid-Columbia Medical Center and Affiliates

## Schedule of Expenditures of Federal Awards

Year Ended December 31, 2022

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 (ARP) Rural Distribution	N/A	93.498	\$ 3,727,994
COVID-19 - Testing and Mitigation for Rural Health Clinics	N/A	93.697	400,000
Passed through Oregon Office of Rural Health:			
Rural Health Research Centers	N/A	93.155	258,376
Small Rural Hospital Improvement Grant Program	N/A	93.301	20,164
Passed through Oregon Department of Education:			
Child Care and Development Block Grant Cluster			
COVID-19 - Child Care Stabilization	17365	93.575	81,788
Total Child Care and Development Block Grant Cluster			81,788
Total U.S. Department of Health and Human Services			4,488,322
U.S. Department of Treasury -			
Passed through Oregon Health Authority -			
Coronavirus Relief Fund -			
COVID-19 - Protect Oregon Farmworkers	165473	21.019	130,338
Total U.S. Department of Treasury			130,338
Total expenditures of federal awards			\$ 4,618,660

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, 2022

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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 4, due December 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.

## **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 consolidated financial statements of Mid-Columbia Medical Center and Affiliates, which comprise the consolidated balances sheets as of December 31, 2022, and the related consolidated statements of operations and changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated May 16, 2023.

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

In planning and performing our audit of the consolidated 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 signature is written in a cursive, flowing style.

Wipfli LLP

Spokane, Washington

May 16, 2023

## **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, 2022. 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, 2022.

#### ***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; 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  
May 16, 2023

# Mid-Columbia Medical Center and Affiliates

## Schedule of Findings and Questioned Costs

Year Ended December 31, 2022

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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 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 and American Rescue Plan  
(ARP) Distribution

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, 2022

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### Section II - Financial Statement Findings

None

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

None