HCMO-1: Notice of Material Change Transaction

Attachment I

Detailed Information About Lower Umpqua Hospital District

1. Describe the Participating Entity.

a. Describe the Participating Entity's business, including business lines or segments.

Lower Umpqua Hospital District is a 501(c)(3) hospital district organized under Oregon law. It owns and operates Lower Umpqua Hospital, a 20-bed critical access hospital located in Reedsport, Oregon. It also owns and operates several medical clinics, a retail pharmacy, and an emergency medical service. Lower Umpqua Hospital District's business line segments include the following services, programs, and centers: cardiology services, dermatology services, ENT services, podiatry services, pain management services, primary care services, surgical services, emergency medical services, emergency room services, family resource center, outpatient nursing, nursing services, laboratory services, radiology services, respiratory therapy services, rehabilitation services, nutritional services, swing bed program, retail pharmacy, orthopedic surgery, and opthalmology.

b. Describe the Participating Entity's governance and operational structure (including ownership of or by a health care entity)

Lower Umpqua Health District is a 501(c)(3) health district with an elected board of directors. It owns and operates Lower Umpqua Hospital. It also owns and operates several medical clinics, a retail pharmacy, and an emergency medical service. The governance documents for Lower Umpqua Health District are attached as **Attachment I, Exhibit 1.b.**

c. Provide a diagram or chart showing the organizational structure and relationships between business entities.

See **Attachment I, Exhibit 1.c**.

d. List all of the Participating Entity's business entities currently licensed to operate in Oregon using HCMO-1b: Business Entities form. Provide the business name, assumed business name, business structure, date of incorporation, jurisdiction, principal place of business, and FEIN for each entity.

See **Attachment I, Exhibit 1.d**.

e. Provide financial statements for the most recent three fiscal years. If Party A also operates outside of Oregon, provide financial statements both for Party A nationally and for the Participating Entity's Oregon business.

See **Attachment I, Exhibit 1.e**.

f. Describe and identify the Participating Entity's health care business. Provide responses to i-ix as applicable:

i. Provider type (hospital, physician group, etc.)
Lower Umpqua Hospital District owns and operates Lower Umpqua Hospital. It also owns and operates the Dunes Family Health Care Clinic, the Reedsport Medical Clinic, the Lower Umpqua Retail Pharmacy, Lower Umpqua Emergency Medical Services, the Lower Umpqua Same-Day Clinic, and the Lower Umpqua Hospital Specialty Clinic.

ii. Service lines, both overall and in Oregon
See response to item 1.a., above.

iii. Products and services, both overall and in Oregon
See response to item 1.a., above.

iv. Number of staff and FTE, both overall and in Oregon
Lower Umpqua Hospital District has 220 employees and 202 FTEs (both in Oregon and overall).

v. Geographic areas served, both overall and in Oregon
Lower Umpqua Hospital District serves Douglas County, which includes the cities of Reedsport, Gardiner, Winchester Bay, and Scottsburg.

vi. Addresses of all facilities owned or operated using HCMO-1c: Facilities and Locations form
See **Attachment I, Exhibit 1.f.vi**.

vii. Annual number of people served in Oregon, for all business, not just business related to transaction
Lower Umpqua Hospital District served about 8,000 people in 2025.

viii. Annual number of services provided in Oregon
Lower Umpqua Hospital District handled about 35,571 encounters in 2025.

ix. For hospitals, number of licensed beds
Lower Umpqua Hospital has 20 licensed beds.

2. Describe all mergers, acquisitions, and joint ventures that closed in the ten (10) years prior to filing this notice of material change transaction involving any entities party to the current proposed transaction, the same or related services, and health care entities. For each previous transaction, include:

a. Legal names of all entities party to the transaction

b. Type of transaction

c. Description of the transaction

d. Date the transaction closed

N/A

Attachment I

Exhibit 1.b.

Governance Documents

Vol 21 /162

Copy.

IN THE COUNTY COURT OF THE STATE OF OREGON FOR DOUGLAS COUNTY

DOUGLAS COUNTY, OREGON
FILED
OCT 26 1954
CHAS. DOERNER
COUNTY CLERK
By [illegible] CLERK

In the matter of the Incorporation)
of the Lower Umpqua Hospital) PROCLAMATION
District, Douglas County, Oregon)

Whereas, at a special election duly and regularly held on the 19th day of October, 1954, within that portion of Douglas County, State of Oregon, described as follows: "Beginning at a point where line between Townships 22 and 23, Range 12 West of the Willamette Meridian, Douglas County, Oregon, intersects the low water line of the Pacific Ocean, then North along said low water line to the Douglas-Lane County line; thence Easterly following said Douglas-Lane County line to the Range line common to Ranges 8 and 9 West of Willamette Meridian; thence South along said Range line common to Ranges 8 and 9 to the Southeast corner of Section 13, Township 24 South, Range 9 West of the Willamette Meridian; thence West to the Douglas-Coos County line; thence Northerly and Westerly along said Douglas-Coos County line to the place of beginning;" there was submitted to the legal voters thereof the question whether all that portion of Douglas County, State of Oregon, as above described, should be incorporated as a district for the purpose of supplying its inhabitants with facilities for the care of sick and injured persons, under and pursuant to the provisions of that certain act of the legislative assembly of the state of Oregon, passed at its regular session held in 1949, entitled 'An act to authorize districts to incorporate as municipal corporations for the purpose of supplying their inhabitants with facilities for the care of sick and injured persons; to issue, sell and dispose of bonds and other securities; to levy taxes; and to have the right of eminent domain for such purposes; and

Whereas, the incorporation of The Lower Umpqua Hospital District received the affirmative vote of the majority of the votes cast at such election; there being 379 votes cast in favor of such incorporation, and 248 votes cast against such incorporation;

Now, therefore, the County Court of the County of Douglas, State of Oregon, does hereby proclaim and declare that all that part of Douglas County, State of Oregon, hereinbefore described has been duly and legally incorporated as a municipal corporation under the name of LOWER UMPQUA HOSPITAL DISTRICT, under and pursuant to and with the powers vested in such corporation by virtue of that certain act of the legislative assembly of the State of Oregon, passed at its regular session in the year 1949, as hereinebefore referred to.

Dated this 26th day of October, 1954.

C G Thiel
County Judge

L. V. Beckley
County Commissioner

E R Metzger
County Commissioner

State of Oregon)
County of Douglas) ss.

I, Chas. Doerner, County Clerk in and for Douglas County, Oregon, do hereby certify that the foregoing has been compared with the original thereof and that it is a correct copy therefrom and the whole thereof as the same appears on record in my office.

Witness my hand and seal this 26 day of October 1954

Chas Doerner County Clerk

By _____ Deputy

IN THE COUNTY COURT OF THE STATE OF OREGON FOR DOUGLAS COUNTY

RE Matter of the Proposed Incorporation of LOWER UMPQUA HOSPITAL DISTRICT } ORDER

DOUGLAS COUNTY, ORE
FILED
NOV 10 1953
Chas. Doerner
COUNTY CLERK
DEPUTY CLERK

Now on this, the first day of a regular session of the County Court of Douglas County, Oregon, held for the transaction of County business, there was presented to the Court for its consideration by the County Clerk petition containing the names of qll legal voters of the hereinafter described portion of Douglas County, same being described in the presented petition, for the incorporation of LOWER UMPQUA HOSPITAL DISTRICT, the bounderies of which are as follows:

Beginning at a point where the line between Sections Eighteen (18) and Nineteen (19) of Township Twenty-one (21) South, Range Twelve (12) West of the Willamette Meridian, Douglas County, Oregon intersects the low water line of the Pacific Ocean, and running thence along township lines, section lines and half section lines and water courses, the courses and distances hereinafter set forth, to-wit:

Thence in said Township East one mile, more or less, to where the South Section line of Section Seventeen (17) of said township intersects the high water line of the Umpqua River; thence Northeasterly, Easterly and Southeasterly along the high water line of the Umpqua River two and one-half miles, more or less, to where the high water line intersects the West line of Section Fifteen (15) of said Township; thence North one mile, more or less, to the West quarter section corner of Section Ten (10) of said Township; thence East one mile, more or less, to the West quarter section corner of Section Eleven (11) of said Township; thence North one-half mile, more or less, to the Northwest corner of said Section Eleven (11); thence East two miles, more or less, to the Northwest corner of Section Seven (7) and township line of township Twenty-one (21) South, Range Eleven (11) West of the Willamette Meridian; thence North along the Township line one mile, more or less, to the Northwest corner of said township; thence East along said township line two miles, more or less, to the Southwest corner of Section Thirty-three (33), Township Twenty (20) South, Range Eleven (11) West of the Willamette Meridian; thence North one mile, more or less, to the Northwest corner of said Section Thirty-three (33); thence East one mile, more or less, to the Northeast corner of said Section Thirty-Three (33); thence North one mile, more or less, to the Northwest corner of Section Twenty-seven (27) of said Township; thence East one mile, more or less, to the Northeast corner of said section Twenty-seven (27); thence North one mile, more or less, to the Northwest corner of Section Twenty-three (23) of said Township; thence East two miles, more or less, to a point on the East line of said Township; thence North along said township line two miles, more or less, to the Northwest corner of Section Seven (7), Township Twenty (20) South, Range Ten (10) West of the Willamette Meridian; thence East one mile, more or less, to the Northeast corner of Section Seven (7) of said Township; thence North three miles, more or less, to the Northwest corner of Section Twenty-nine (29), Township Nineteen (19) South, Range Ten (10) West of the Willamette Meridian; thence East five miles, more or less, to theSoutheast corner of Section Twenty-four (24) of said Township; thence

North along the Township line three miles, more or less, to the Northwest corner of Section Seven (7), Township Nineteen (19) South, Range Nine (9) West of the Willamette Meridian; thence East four miles, more or less, to the Northeast corner of Section Ten(10) of said Township; thence South Two miles, more or less, to the Southeast corner of Section Fifteen (15) of said Township; thence East two miles, more or less, to the Northeast corner of Section Twenty-four (24) and the township line of said Township; thence South along the township line three and one-half miles, more or less, to the Northwest corner of Section Six (6), Township Twenty (20) South, Range Eight (8) West of the Willamette Meridian; thence East along the township line two miles, more or less, to the Northeast corner of Section Five (5) of said Township; thence South one mile, more or less, to the Southeast corner of Section Five (5); thence East two miles, more or less, to the Northwest corner of Section Eleven (11) of said Township; thence South one mile, more or less, to the Southwest corner of said Section Eleven (11); thence East two miles, more or less, to the Southeast corner of Section Twelve (12) and the township line of said Township; thence South along said township line four miles, more or less, to the Northwest corner of Township Twenty-one (21) South, Range Seven (7) West of the Willamette Meridian; thence East along the township line six miles, more or less, to the Northeast corner of said Township; thence South along the Township line twelve miles, more or less, to the Southeast corner of Township Twenty-two (22) South, Range Seven (7) West of the Willamette Meridian; thence East one mile, more or less, to the Northwest corner of Section Five (5) Township Twenty-three (23) South, Range Six (6) West of the Willamette Meridian; thence South one and one-half miles, more or less, to the West quarter section corner of Section Eight (8) of said Township; thence West along half section lines three miles, more or less, to the center of the Umpqua River in Section Eleven (11) Township Twenty-three (23), South, Range Seven (7) West of the Willamette Meridian; thence Westerly, Northwesterly and Southwesterly, along the center line of the Umpqua River five and one-half miles, more or less, to where the same crosses the West line of Section Seven (7) of said Township; thence South along said township line one and one-half miles, more or less, to the Southeast corner of Section Thirteen (13) of Township Twenty-three (23) South, Range Eight (8) West of the Willamette Meridian; thence West Six (6) miles, more or less, to the Northwest corner of Section Nineteen (19) and West line of said Township; thence South along said Township line three miles, more or less, to the Southwest corner of said Township; thence East along said Township line one-half mile, more or less, to the Northwest corner of Township Twenty-four (24) South, Range Eight (8) West of the Willamette Meridian; thence South along said Township line three and one-fourth miles, more or less, to the Southeast corner of Section Thirteen (13) Township Twenty-four (24) South, Range Nine (9) West of the Willamette Meridian; thence West five miles, more or less, North one mile, more or less, and West one mile more or less, to the Southeast corner of Section Twelve (12) and township line of Township Twenty-four (24) South, Range Ten (10) West of the Willamette Meridian; thence North along said township line two miles, more or less, to the Northeast corner of said Township; thence West along the township line two miles, more or less, to the Southwest corner of Section Thirty-five (35), Township Twenty-three (23) South, Range Ten(10) West of the Willamette Meridian; thence North six miles, more or less, to the North boundary line of said Township; thence West along said Township line one and one-fourth miles, more or less, to the Southwest corner of Section Thirty-four (34), Township Twenty-two (22) South, Range Ten (10) West of the Willamette Meridian; thence North one mile, more or less, to the Northwest corner of said Section Thirty-four (34); thence West three miles, more or less, to the Southwest corner of Section

Twenty (20) and township line of said Township; thence North along said Township line one mile, more or less, to the Northeast corner of Section Twenty-five (25), Township Twenty-two (22) South, Range Eleven (11) West of the Willamette Meridian; thence West one mile, more or less, to the Northwest corner of said Section Twenty-five (25); thence South one mile, more or less, to the Southeast corner of Section Twenty-six (26) of said Township; thence West three miles, more or less, to the Southwest corner of Section Twenty-eight (28) of said Township; thence North one mile, more or less, to the Northeast corner of Section Twenty-nine (29) of said Township; thence West one mile, more or less, to the Northwest corner of said Section Twenty-nine (29); thence North one mile, more or less, to the Northeast corner of Section Nineteen (19) of said Township; thence West three-fourths of one mile, more or less to the Northwest corner of said Section Nineteen (19), and West line of said Township; thence North along said Township line one-fourth of a mile, more or less, to the Southeast corner of Section Thirteen (13), Township Twenty-two (22) South, Range Twelve (12) West of the Willamette Meridian; thence West three miles, more or less, to the Southwest corner of Section Fifteen (15) of said Township; thence North one-half mile, more or less, to the West quarter section corner of said Section Fifteen (15); thence West along half section lines four and one-fourth miles, more or less, to a point where the half section line of Section Fourteen (14), Township Twenty-two (22) South, Range Thirteen (13) West of the Willamette Meridian, intersects the low water line of the Pacific Ocean; thence Northerly across the entrance of the Umpqua River, and along the low water line of the Pacific Ocean five and one-half miles, more or less, to the place of beginning; all of said described lands being within Douglas County and State of Oregon.

And the Court having examined said petition and having been informed by the County Clerk that the total number of legal voters in the above described portion of Douglas County is 2,404, and that the aforesaid 611 signatures of legal voters represent more than 15% of said voters residing in that portion of Douglas County described above, and likewise in said petition, and that said petition appearing to the Court to be in proper form and order, and that said petitioners are entitled to have an election within the said proposed district, to determine whether or not such area shall be organized and incorporated as a hospital district,

NOW THEREFORE, it is hereby ORDERED that a special election shall be held in the area above described, and likewise described in said petition, said election to be held on the 19th day of June, 1953, at which election the County Clerk of Douglas County, Oregon shall cause to be submitted to the legal voters of the area above described, and likewise described in the aforesaid petition, said area being the identical area now comprising the Port District known as the PORT OF UMPQUA, the question whether that portion of Douglas County specifically described above and in said petition, shall be incorporated as a municipal corporation for the purpose of supplying its inhabitants with facilities for the care of sick and injured persons, and to be known as the LOWER UMPQUA HOSPITAL DISTRICT.

It is further ORDERED that the County Clerk of Douglas County shall give notice of such election and carry out the procedure for such election in accordance with the provisions and requirements of Chapter 548, Oregon Laes for 1949, as specifically stated therein, and ~~when not so specifically stated in Chapter 548, Oregon Laws for 1949,~~ he shall follow the procedure set forth for the conduct of general elections.

Done in open Court, at Roseburg, Oregon, this 18 day of May, 1953.

C C Hice
County Judge

L J Beckley
County Commissioner

E R Metzger
County Commissioner

Copy.

IN THE COUNTY COURT OF THE STATE OF OREGON FOR DOUGLAS COUNTY, DOUGLAS COUNTY, OREGON

FILED
OCT 26 1954
CHAS. DOERNER
COUNTY CLERK
Chas Doerner

In the matter of the Incorporation)
of the Lower Umpqua Hospital)
District, Douglas County, Oregon) - PROCLAMATION -

Whereas, at a special election duly and regularly held on the 19th day of October, 1954, within that portion of Douglas County, State of Oregon, described as follows: "Beginning at a point where line between Townships 22 and 23, Range 12 West of the Willamette Meridian, Douglas County, Oregon, intersects the low water line of the Pacific Ocean, then North along said low water line to the Douglas-Lane County line; thence Easterly following said Douglas-Lane County line to the Range line common to Ranges 8 and 9 West of Willamette Meridian; thence South along said Range line common to Ranges 8 and 9 to the Southeast corner of Section 13, Township 24 South, Range 9 West of the Willamette Meridian; thence West to the Douglas-Coos County line; thence Northerly and Westerly along said Douglas-Coos County line to the place of beginning;" there was submitted to the legal voters thereof the question whether all that portion of Douglas County, State of Oregon, as above described, should be incorporated as a district for the purpose of supplying its inhabitants with facilities for the care of sick and injured persons, under and pursuant to the provisions of that certain act of the legislative assembly of the state of Oregon, passed at its regular session held in 1949, entitled 'An act to authorize districts to incorporate as municipal corporations for the purpose of supplying their inhabitants with facilities for the care of sick and injured persons; to issue, sell and dispose of bonds and other securities; to levy taxes; and to have the right of eminent domain for such purposes; and

Whereas, the incorporation of The Lower Umpqua Hospital District received the affirmative vote of the majority of the votes cast at such election; there being 379 votes cast in favor of such incorporation, and 248 votes cast against such incorporation;

Now, therefore, the County Court of the County of Douglas, State of Oregon, does hereby proclaim and declare that all that part of Douglas County, State of Oregon, hereinbefore described has been duly and legally incorporated as a municipal corporation under the name of LOWER UMPQUA HOSPITAL DISTRICT, under and pursuant to and with the powers vested in such corporation by virtue of that certain act of the legislative assembly of the State of Oregon, passed at its regular session in the year 1949, as hereinebefore referred to.

Dated this 26th day of October, 1954.

C C Hess
County Judge

L. V. Beckley
County Commissioner

E Rinetzer
County Commissioner

State of Oregon)
County of Douglas) ss.

I, Chas. Doerner, County Clerk of Douglas County, Oregon, do hereby certify that the foregoing has been compared with the original thereof and that it is a correct copy therefrom and the whole thereof as the same appears on record in my office.

Witness my hand and seal this 26 day of October 1954

Chas Doerner County Clerk

By _____ Deputy

Entered in Book 19 Page 1954.

ARTICLES OF INCORPORATION
LOWER UMPQUA HOSPITAL

Now on this, the first day of a regular session of the County Court of Douglas County, Oregon, held for the transaction of County business; thence was presented to the Court for its consideration by the County Clerk petition containing the names of 611 legal voters of the hereinafter described portion of Douglas County, same being described in the presented petition, for the incorporation of LOWER UMPQUA HOSPITAL DISTRICT, the boundaries of which are as follows:

Beginning at a point where the line between Sections Eighteen (18) and Nineteen (19) of Township Twenty-one (21) South, Range Twelve (12) West of the Willamette Meridian, Douglas County, Oregon intersects the low water line of the Pacific Ocean, and running thence along township lines, section lines and half section lines and water courses, the courses and distances hereinafter set forth; to-wit:

Thence in said Township East one mile, more or less, to where the South Section line of Section Seventeen (17) of said township intersects the high water line of the Umpqua River; thence Northeasterly, Easterly and Southeasterly along the high water line of the Umpqua River two and one-half miles, more or less, to where the high water line intersects the West line of Section Fifteen (15) of said Township; thence North one mile, more or less, to the West quarter section corner of Section Ten (10) of said Township; thence East one mile, more or less, to the West quarter section corner of Section Eleven (11) of said Township; thence North one-half mile, more or less, to the Northwest corner of said Section Eleven (11); thence East two miles, more or less, to the Northwest corner of Section Seven (7) and township line of township Twenty-one (21) South, Range Eleven (11) West of Willamette Meridian; thence North along the Township line one mile, more or less, to the Northwest corner of said township; thence East along said township line two miles, more or less, to the Southwest corner of Section Thirty-three (33), Township Twenty (20) South, Range Eleven (11) West of the Willamette Meridian; thence North one mile, more or less, to the Northwest corner of said Section Thirty-three; thence East one mile, more or less, to the Northeast corner of said Section Thirty-three (33); thence North one mile, more or less, to the Northwest corner of Section Twenty-seven (27) of said Township; thence East one mile, more or less, to the Northeast corner of said section Twenty-seven (27); thence North one mile, more or less, to the Northwest corner of Section Twenty-three(23) of said Township; thence East two miles, more or less, to a point on the East line of said Township; thence North along said township line two miles, more or less, to the Northwest corner of Section Seven (7); Township Twenty (20) South, Range Ten (10) West of the Willamette Meridian; thence East one mile, more or less, to the Northeast corner of Section seven (7) of said Township; thence North three miles, more or less, to the Northwest corner of Section Twenty-nine (29); Township nineteen (19) South, Range Ten (10) West of the

Willamette Meridian; thence East, five miles, more or less, to the Southeast corner of Section Twenty-four (24) of said Township; thence North along the Township three miles, more or less; to the Northwest corner of section Seven (7), Township; Nineteen (19) South, Range (9), West of the Willamette Meridian; thence East more or less, to the Northeast corner of Section Ten (10) of the Township; thence South Two miles, more or less, to the Southeast corner of Section Fifteen (15) of said Township; thence East two miles, more or less, to the Northeast corner of Section Twenty-four (24) and the township line of said Townships ; thence South along the township line three and one-half miles, more or less, to the Northwest corner of Section Six (6), Township Twenty (20) South, Range Eight (8) West of the Willamette Meridian; thence East along the township line two miles, more or less, to the Northeast corner of Section Five (5) of said Township; thence South one mile, more or less, to the Southeast corner of Section Five (5); thence East two miles, more or less, to the Northwest corner of Section Eleven (11) of said Township; thence South one mile, more or less, to the Southwest corner of said Section Eleven (11); thence East two miles, more or less, to the Southeast corner of Section Twelve (12) and the township line of said Township; thence South along said township line four miles, more or less, to the Northwest corner of Township Twenty-one (21) South, Range Seven (7) West of the Willamette Meridian; thence East alone the township line six miles, more or less, to the Northeast corner of said Township; thence South along the Township line twelve miles, more or lees, to the Southeast corner of Township Twenty-two (22) South, Range Seven (7) West of the Willamette Meridian; thence East one mile, more or less, to the Northwest corner of Section Five (5) Township Twenty-three (23) South, Range Six (6) West of the Willamette Meridian; thence South one and one-half miles, more or less, to the West quarter section corner of Section Eight (8) of said Township; thence West along half section line three miles, more or less, to the center of the Umpqua River in Section Eleven (11) Township Twenty-three (23), South, Range Seven (7) West of the Willamette Meridian; thence Westerly; Northwesterly and Southwesterly, along the center line of the Umpqua River five and one-half miles, more or less, to where the same crosses the West line of Section Seven (7) of said Township; thence South along said township line one and one-half miles, more or less, to the Southeast corner of Section Thirteen (13) of Township, Twenty-three (23) South, Range Eight (8) West of the Willamette Meridian; thence West Six (6) miles, more or less, to the Northwest corner of Section Nineteen (19) and West line of said Township; thence South along said Township line three miles, more or less, to the Southwest corner of said Township; thence East along said Township line one-half mile, more or less, to the Northwest corner of Township Twenty-four (24) South, Range Eight (8) West of the Willamette Meridian; thence South along said Township line three and one-fourth miles, more or less, to the Southeast corner of Section Thirteen (13) Township Twenty-four (24) South, Range Nine (9) West of the Willamette Meridian; thence West five miles, more or less, North on mile, more of less, and West one mile, more or less, to the Southeast corner of Sedation Twelve (12) and township line of Township Twenty-four (24) South, Range Ten (10) West of the

Willamette Meridian; thence North along said township line two miles, more or less, to the Northeast corner of said Township; thence West along the township line two miles, more or less, to the Southwest corner of Section Thirty-five (35), Township Twenty-three (23) South, Range Ten (10) West of the Willamette Meridian; thence North six miles, more or less, to the North boundary line of said Township; thence West along said Township line one and one-fourth miles, more or less, to the Southwest corner of Section Thirty-four (34), Township Twenty-two (22) South, Range Ten (10) West of the Willamette Meridian; thence North one mile, more or less, to the Northwest corner of said Section Thirty-four (34); thence West three miles, more or less, to the Southwest corner of Section a long said

the Northwest corner of said Section, Twenty-five (25); thence South one mile, more or less, of the Southeast corner of Section Twenty-six (26) of said Township; thence West three miles, more or less, to the Southwest corner of Section Twenty-eight (28) of said Township; thence North one mile, more or less, to the Northeast corner of Section Twenty-nine (29) of said Township; thence West one mile, more of less, to the Northwest corner of said Section Twenty-nine (29); thence North one mile, more or less, to the Northeast corner of Section Nineteen (19) of said Township; thence West three-fourths of one mile, more or less, to the Northwest corner of said Section Nineteen (19), and West line of said Township; thence North along said Township line one-fourth of a mile, more or less, to the Southeast corner of Section Thirteen (13), Township Twenty-two (22) South, Range Twelve (12) West of the Willamette Meridian; thence West three miles, more or less, to the Southwest corner of Section Fifteen (15) of said Township; thence North one-half mile, more or less, to the West quarter section corner of said Section Fifteen (15); thence West along half section lines four and one-fourth miles, more or less, to a point where the half section line of Section Fourteen (14) ; Township Twenty-two (22) South, Range Thirteen (13) West of the Willamette Meridian, intersects the low water line of the Pacific Ocean; thence Northerly across the entrance of the Umpqua River, and along the low water line of the Pacific Ocean five and one-half miles, more or less, to the place of beginning; all of said described lands being within Douglas County and State of Oregon.

And the Court having examined said petition and having been informed by the County Clerk that the total number of legal voters in the above described portion of Douglas County is 2,404, and that the aforesaid 611 signatures of legal voters represent more than 15% of said voters residing in that portion of Douglas County described above, and likewise in said petition, and that said petition appearing to the Court to be in proper form and order, and that said petitioners are entitled to have an election within the said proposed district, to determine whether or not such area shall be organized and incorporated as a hospital district,

NOW THEREFORE, it is hereby ORDERED that a special election shall be held in the area above described; and likewise described in said petition, said election to be held on the 19th day of June, 1953, at which election the County Clerk of Douglas County, Oregon shall cause to be submitted to the legal voters of the area above described, and likewise described in the aforesaid petition, said area being the identical area now comprising the Port District known as the PORT OF UMPQUA, the question whether that portion of Douglas County specifically described above and in said petition, shall be incorporated as a municipal corporation for the purpose of supplying its inhabitants with facilities for the care of sick and injured persons, and to be known as the LOWER UMPQUA HOSPITAL DISTRICT.

It is further ORDERED that the County Clerk of Douglas County shall give notice of such election and carry out the procedure for such election in accordance with the provisions and requirements of Chapter 548; Oregon Laws for 1949, as specifically stated therein, and when not so specifically stated in chapter 548, Oregon Laws for 1949, he shall follow the procedure set forth for the conduct of general elections.

Done in open Court, at Roseburg, Oregon, this 18 day of May, 1953.

_____
County Judge

_____
County Commissioner

_____
County Commissioner

Reviewed and amended July 26, 2023

BYLAWS OF THE

LOWER UMPQUA HOSPITAL DISTRICT

AND

BOARD OF DIRECTORS
DOUGLAS COUNTY, REEDSPORT, OREGON

ARTICLE I
NAME

The name of the district shall be the Lower Umpqua Hospital District: the name of the governing body shall be the Board of Directors of the Lower Umpqua Hospital District.

ARTICLE II
PURPOSE

The Lower Umpqua Hospital District is a political subdivision and municipal corporation of the State of Oregon, formed and governed under the provisions of ORS 440.305 through 440.420 (Amended 3/14) inclusive, which district was formed by vote of the electors on the 19th day of October 1954.

The purpose of Lower Umpqua Hospital District includes the following: (Amended 2/96).

1. Provide health services for persons requesting available services regardless of race, color, national origin, age, disability, religion, or sex (including pregnancy, sexual orientation, and gender identity). Lower Umpqua Hospital District does not exclude people or treat them differently because of race, color, national origin, age, disability, religion, or sex (including pregnancy, sexual orientation, and gender identity). (Amended 02/92, 03/99, 01/05, Replaced 07/23).

2. Carry on research and education activities related to rendering care to the sick and injured and to the promotion of health, that, in the opinion of the Board of Directors of the Lower Umpqua Hospital District may be justified by the facilities, personnel, funds and other requirements that can be made available.

3. Initiate or participate in activities designed and carried on to promote the general health of the community.

ARTICLE III
BOARD OF DIRECTORS

Section 1. Membership

The Board of Directors shall consist of five members, each of whom shall be a registered voter within the District and shall be elected according to the applicable laws governing the Board of Directors of Hospital Districts as provided by Oregon law.

Except as otherwise provided by law, vacancies in the Board of Directors shall be filled by appointment by a majority of the remaining members of the Board of Directors. If a majority of the membership cannot agree, the vacancies shall be filled promptly by the county court of the county in which the administrative office of the district is located, pursuant to ORS 198.320.

A person appointed under this section shall serve until June 30 following the next regular (Amended 07/23) election for members of the District Board at which a successor is elected. The successor shall be elected to serve the remainder, if any, of the term for which the appointment was made. If the term for which the appointment was made expires June 30 after the election of the successor, the successor shall be elected to a full term. In either case, the successor shall take office July 1 next following the election. (Amended 07/23).

Each newly elected, appointed, or re-elected Board member shall take an oath of office prior to assuming Board member duties. (Added 07/23).

Section 2. Powers

The Board of Directors shall have the power and authority to do and perform all lawful acts and functions necessary to the District and consistent with these Bylaws. (Amended 2/92).

Section 3. Responsibilities

The responsibilities of the Board of Directors shall include the following:

(a) To promote and maintain high standards of competence in professional and hospital services. Insure that all health care personnel for whom state licenses or registration are required are currently licensed or registered; (Amended 2/92).

(b) To formulate philosophy and policies of the institution as a directive to management;

(c) To have oversight of the performance of the Medical Staff and Administrator in relation to the established policies; (Amended 4/08; 07/23)

(d) To organize itself in a manner which facilitates expedient performance of its duties;

(e) To plan the development of the institution, both short and long range;

(f) To authorize adequate funding to keep the hospital operating, raising capital for medical improvements and management endowments; (Amended 4/08)

(g) To represent the hospital to the community and other external relations; and

(h) To assure optimum quality of patient care.

Section 4. Duties

The duties of the Board of Directors shall include the following:

(a) Adopt suitable Bylaws; (Amended 07/23)

(b) Select a competent Administrator and delegate authority and responsibility for administrative action;

(c) Approve the policies of the institution with regard to Community Needs, Administration, Human Resources, Finance and the Provision of High Quality, Safe Care. (Consolidated and amended 07/23)

(e) Approve a competent and qualified Medical Staff, maintain proper professional standards and require "peer review" by physicians for the quality of care rendered by members of the Medical Staff; (Amended 4/08)

(f) Provide methods by which the organized Medical staff advises the Administrator and the Board of Directors on professional matters;

(g) Insure that no member of the Board of Directors uses their affiliation with the hospital for personal, financial or material gain.

(h) Identify and respond to the changing needs of the community and hospital resources;

(i) Define the mission, role and programs of the hospital;

(j) Define specific enterprise objectives;

(k) Faithfully attend and participate in Board meetings, giving all matters attention and judgment;

(l) Review and approve medical staff privileges to assure the provision of quality patient care; (Amended 2/92).

(m) Evaluate at least annually the performance of the Administrator;

(n) Evaluate the salary of the Administrator in coordination with the contract of employment and, if none, annually; and

(o) Provide for the orientation and continuing education of Board members. Perform Board evaluation annually. (Amended 4/08)

ARTICLE IV

MEETINGS OF THE BOARD OF DIRECTORS

Section 1. Regular Meetings

The Board of Directors shall hold a regular meeting at Lower Umpqua Hospital or other convenient location at least monthly. The date and time of the meeting shall be determined by the Board of Directors.

Section 2. Special Meetings

The Board shall hold special meetings at the request of the Chief Executive Officer, Board Chair or any two members of the Board. If the Board Chair is absent, special Board meetings may be held at the request of the Vice Chair. Special meetings shall not be held upon less than 24 hours' public notice (ORS 192.640(3)) of the time, place and purpose of such meeting. No business shall be transacted except that which is described in the notice. (Replaced 07/23).

Section 3. Annual Meeting

The annual meeting shall take place in July of each year.

Section 4. Quorum

For regular, special or annual meetings of the Board of Directors, a quorum shall consist of a majority of the members.

Section 5. Call of Special Elections

The Board at any regular meeting may call for a special election of the voters of the District.(Amended 07/23)

Section 6. Attendance Requirement

The term of a director shall expire when the director misses four or more consecutive

meetings without advance Board approval and the Board declares the position vacant; (Replaced 07/23)

Section 7. Emergency meetings

i. Emergency meetings may be held at the request of persons entitled to call special meetings, upon less than 24 hours' notice in situations where a true emergency exists. An emergency exists where there are objective circumstances which, in the judgment of the person or persons calling the meeting, create a real and substantial risk of harm to the organization which would be substantially increased if the Board were to delay in order to give 24 hours' notice before conducting the meeting. The convenience of Board members is not grounds for calling an emergency meeting. (Added 07/23)

ii. At the beginning of an emergency meeting, the Board Chair shall declare the reason for calling such meeting, and the reason the meeting could not have been delayed to give at least 24 hours' notice, which shall be noted in the minutes (ORS 192.640(3)). The Board shall then determine if the reasons are sufficient to hold an emergency meeting and, if not, shall immediately adjourn such meeting. Only business related to the emergency shall be conducted at an emergency meeting. (Added 07/23).

ARTICLE V
OFFICERS OF THE BOARD

Section 1.

At the annual meeting of the Board of Directors(to be held each July), the members shall elect a Chair, a Vice Chair, a Secretary and a Treasurer (Amended 07/23) all of whom shall be elected from among the Board members. All Board members shall be eligible for election or re-election as an officer. The Board shall fill any midterm vacancies from its own membership. All committee officers and members shall be appointed or re-appointed at this meeting as well. (Amended 05/02; 04/08; 03/14; 07/23).

Section 2.

The Board Chair, serving as the Chief Governance Officer of the Board, shall preside at all meetings of the Board; ensure that the Board fulfills its obligations as set forth in Oregon statutes, these Bylaws and the Board's governing policies then in effect; and fulfill other responsibilities as may be delegated from time to time in the Board's governing policies. (Amended 03/14; Replaced 07/23).

Section 3.

In the event of the Board Chair's absence, disability, or refusal to act, the Vice Chair shall have the powers and perform the duties of the Board Chair and shall have such other powers and duties as the Board may from time to time determine. (Amended 01/05, 03/14,

Replaced 07/23).

Section 4.

The Secretary shall ensure LUHD has processes in place for the issuance of notices of all regular, special and emergent meetings; to receive, route and assist with all correspondence of the Board; to act as custodian of all records and reports of the District and the Board, shall have oversight authority for keeping and reporting adequate records of all transactions, except financial, including minutes of all meetings of the Board and with other appropriate officers, shall sign contracts or other documents necessary to be executed or validated by the Board. (Amended 4/08) These duties can be delegated (Amended 6/11) to the Administrator (07/23).

Section 5.

The Treasurer shall oversee the finances of the District; may advise the Board on matters of fiscal policy; see that accurate and complete accounts and books are kept; ensure that LUHD has processes in place to see that timely financial reports are submitted to the Board of Directors, and state and local agencies as required, and perform such other duties as usually pertain to the office of Treasurer. In the event of the Board Chair's and the Vice Chair's absence, disability or refusal to act, the Treasurer shall have the powers and perform the duties of the Board Chair and shall have such other powers and duties as the Board may from time to time determine. (Amended 03/07; 07/23).

ARTICLE VI
COMMITTEES OF THE BOARD

The Board may establish committees as deemed appropriate in carrying out its purposes. The resolution establishing any such committee shall state the purpose, composition guidelines, timeline, and authority of the committee. Committees may be delegated duties and functions consistent with the statutes of the State of Oregon. Such committees may be composed of Board members, non-Board members or both. The designation and appointment of any such Committee and the delegation thereto of authority shall not relieve the Board or any individual Board member of any responsibility imposed upon it, him or her by law. (Added 07/23)

It is the duty of each Board Member serving on a committee to stay informed concerning activities and issues before that committee and provide guidance and recommendations to the Board of Directors as necessary.

Section 1. Joint Medical Staff/Physician Recruitment Committee

The Joint Medical Staff/Physician Recruitment Committee provides liaison between the

Medical Staff and the Board of Directors. The Medical Staff, development plan and issues of mutual administrative and physician concerns can be addressed by this committee.

Whenever the Board of Directors does not concur in a Medical Staff recommendation relative to Medical Staff privileges, the recommendation shall be reviewed by the Joint Medical Staff/Physician Recruitment Committee before a final decision is reached by the Board of Directors.

The committee shall consist of two Board members, one of which shall be the Board Chair, and Chair of this committee. This committee will meet on an as needed basis. (Amended 2/96).(Amended 3/07)

Section 2. Financial Advisory Committee

The Financial Advisory Committee is established to aid in the development of the fiscal policy of the Board of Directors. Major monetary issues and capital acquisition can be evaluated in depth at these meetings. The Financial Advisory Committee is an advisory committee that strives to attain a more intimate and current knowledge of hospital financial issues, trends and reports. Revenue and expense data will regularly be reviewed compared to budget with recommendations developed for the types of reports and formatting for full Board of Director's presentation.

This committee shall consist of two board members, one of which shall be the Treasurer of the Board who shall also serve as (Amended 07/23) the Chair of this committee (Amended 5/02). This committee may also include two people who shall be appointed by the board. None shall be officers, employees, or agents of the District. (Amended 07/23)

This committee will meet on a monthly basis or as needed. (Amended 3/14, 10/03, 07/23).

Section 3. Planning and Development Committee

The Planning and Development Committee establishes updates and reviews the hospital's strategic plan. The hospital operational marketing and capital expenditure plans developed by the Administrator to meet the strategic plan objectives will be reviewed by this committee.

This committee shall consist of two board members, one of which shall be the Chair of this committee (Amended 5/02).

This committee will meet monthly or as needed (Amended 3/14) (amended to replace 10/03).

Section 4. Personnel Committee

The Personnel Committee will meet to establish evaluation criteria and evaluate the hospital Administrator. In addition, labor issues such as union negotiations, pension and medical plans can be reviewed in depth by this committee with recommendations provided to

the full Board of Directors. The Personnel Committee will not deal with day-to-day personnel issues which are the responsibility of the Administrator, except that the CFO of the District may request to meet with the Committee to discuss the termination of employment of the CFO (amended 10/03).

This committee shall consist of two board members, one of which shall be the Chair of this committee. This committee will meet as necessary (Amended 10/03, 4/08).

Section 5. Quality Assurance Committee

The Quality Assurance Committee will review and summarize quality assurance issues and activities to the Board of Directors. Members are responsible to become more aware of current issues in quality assurance and trends in care, serving as a resource body to the Board of Directors.

This committee shall consist of two board members, one of which shall be the Chair of this committee. This committee will meet as necessary. (Amended 3/01, 4/08)

Section 6. Budget Committee

A Budget Committee shall be formed and governed under provisions of ORS 294.305 through 294.565 (Amended 3/14) known as the local Budget Law. The Budget Committee shall consist of the members of the Board of Directors of the District and a like number of additional members appointed by the Board from the public, each of whom shall be a registered voter within the District and none of whom shall be officers, employees or agents of the District.

Section 7. Vacancies, Eligibility, Terms of Appointment, Quorum and Attendance (excluding the Budget Committee governed by the provisions of the Local Budget Law).

All committee members and committee officers shall be appointed to committees for a term of one year during the Annual Meeting of the Board (Amended 07/23). Committee member and officer vacancies shall be filled by the same method employed during the Annual Meeting with new members and officers serving until the current one-year term expires. All committee members shall be eligible for reappointment provided they continue to meet all committee membership requirements. A simple majority shall constitute a quorum of any committee. Faithful attendance and participation in Board Committee meetings are expected, giving all matters attention and careful judgment. (amended 07/23)

ARTICLE VII
ADMINISTRATION

Section I.

The Administrator is the Chief Executive Officer of the Hospital, appointed by the Board of Directors. The Administrator has full responsibility and authority to operate the Hospital in

all of its activities and Departments subject to such policies as may be adopted and such directives as may be issued by the Board of Directors. The Administrator acts as the duly authorized representative of the Board of Directors in all matters in which the Board has not formally designated some other person to act. The Administrator is fully accountable to the Board of Directors for the operation of the hospital to assure that quality of patient care and services are provided. Such accountability is exercised, in part, through direct supervision of the activities of the Department Heads.

In terms of medical practice in the hospital, the responsibility of the Administrator is to assure that standards of medical practice applicable to all practitioners formally admitted to practice in the hospital are established and adhered to. The establishment of standards and the evaluation of professional practice to ensure adherence to the standards requires professional judgment by peers. The Board of Directors and the Administrator, therefore, will look to the medical staff organization to recommend appropriate standards as well as effective programs of evaluation of professional practice within the hospital and appropriate action to assure that such standards are adhered to.

Section 2.

The Administrator is accountable for the following:

(a) Promoting employee development and optimum morale;

(b) Taking a leadership role in the development and carrying out of the bylaws of the hospital and all policies established by the Board of Directors to the end that the purposes of Lower Umpqua Hospital are fully and effectively attained and that full accreditation by all appropriate accrediting bodies is maintained;

(c) Developing a plan of hospital organization;

(d) Assuring that all persons admitted to the hospital shall be under the care of a qualified physician as outlined in the Medical Staff Bylaws;

(e) Developing plans for the improvement of medical care and to assure quality medical care is rendered to patients (Amended 1/05).

(f) Preparing an annual financial plan of short and long term goals. Included in this would be listing of anticipated total expenses and revenues by departments and capital expenditures appropriate to departmental services;

(g) Supervising of business and financial affairs to ensure that funds are collected, invested and expended to the best possible advantage;

(h) Developing plans for construction projects and supervising such projects;

(i) Developing written administrative and departmental policies necessary for the

management of the hospital;

(j) Presenting periodic reports to the Board of Directors reflecting the professional service and financial activities of the hospital; and preparing and submitting such special reports as the Board may require;

(k) Developing and maintaining personnel policies and practices for the hospital, including those concerning the selection, employment and discharge of employees;

(l) Developing orientation and continuing education programs;

(m) Maintaining physical properties in good operating condition;

(n) Attending all meetings of the Board of Directors and committees thereof;

(o) Serving as the liaison officer for the channel of communication for the Joint Medical Staff/Physician Recruitment Committee to handle all official communications between the Board of Directors and the Medical Staff;

(p) Serving as the liaison officer and the official channel of communication between hospital and governmental agencies, professional and civic organizations in the development of programs and maintenance of appropriate service relationships;

(q) Assuring orientation and continuing education of the Board of Directors, and keeping the Board informed of hospital matters and problems;

(r) Promoting the growth and progress of the Medical Staff, and facilitating positive relationships between physicians and the hospital;

(s) Pursuing personal development and growth through participation in continuing education programs and professional activities;

(t) Performing other duties that may be necessary in the best interests of the hospital.

ARTICLE VIII
MEDICAL STAFF

Section 1.

(a) It shall be the responsibility of the Board of Directors to require and approve bylaws, rules and regulations for the medical staff, setting forth its organization and government. The practitioners granted practice privileges in the hospital shall be organized into a medical staff under medical staff bylaws approved by the Board of Directors. The Board of Directors shall consider recommendations

of the medical staff for physicians, dentists and other allied health practitioners who meet the qualifications for membership as set forth in the bylaws of the medical staff. Each member of the medical staff shall have appropriate authority and responsibility for the care of their patients, subject to such limitations as are contained in these bylaws and in the bylaws, rules and regulations for the medical staff and subject, further to any limitations attached to that person's appointment. (Amended 4/08)

(b) All applications for appointment to the medical staff shall be in writing on a form approved by the Board of Directors. These applications shall be received by the Administrator. They shall contain full information concerning the applicant's education, licensure, practice, the requested clinical privileges, previous hospital experiences and any unfavorable history with regard to licensure and hospital privileges.

(c) Appointments to the Medical Staff may be for two (2) years and renewable by the Board of Directors upon reapplication; provided however, that appointment to the Associate Medical Staff may be for six months. When an appointment is not renewed or when privileges have been, or are proposed to be reduced, suspended or terminated, the applicant shall be afforded the opportunity for a De novo hearing by the Board of Directors, under such procedures as they deem appropriate provided the applicant had followed the procedure for Hearing and Review as outlined in the Medical Staff Bylaws.

(d) Any matters of dispute regarding the Medical Staff and the Board of Directors shall be referred to the Joint Medical Staff/Physician Recruitment Committee for discussion and recommendation to the Board of Directors. The ultimate determination of the Board of Directors shall be conclusive. (Amended 2/92).

Section 2. Medical Care And Its Evaluation

(a) Every patient admitted to and cared for in the hospital shall be placed under the care of a duly licensed physician with current privileges approved by the Board of Directors.

(b) At least one physician will be on call at all times and within 20 minutes response time of the hospital. The Medical Staff shall provide for a procedure in their Bylaws which adequately affords this type of physician coverage. (Amended 2/92).

(c) In the exercise of its overall responsibility, the Board of Directors shall assign to the Medical Staff reasonable authority for assuring high quality professional care to the hospital's patients.

(d) The Medical Staff shall establish procedures necessary to conduct an ongoing review and appraisal of the quality of professional care rendered by its members

in the hospital and shall periodically report such activities and appraisals to the Board of Directors.

(e) In carrying out its responsibility for assuring appropriate professional care to the hospital's patients, the Board of Directors shall periodically review the findings of the Quality Improvement Committee, Utilization review and any other studies and/or reviews which assess quality of medical care at the hospital. (Amended 2/96).

(f) The Medical Staff, through the Administrator, shall make recommendations to the Board of Directors concerning;

(1) Appointments, and reappointments of staff;
(2) Granting clinical privileges.
(3) Disciplinary action.
(4) Matters relating to professional competency.
(5) Other matters as requested by the Board of Directors.

ARTICLE IX
HOSPITAL AUXILIARY

Section I.

The Board of Directors shall authorize a Hospital Auxiliary to provide voluntary assistance and support to the hospital operations. The Hospital Auxiliary shall operate under bylaws approved by the Board of Directors. (Amended 2/92).

Section 2.

Any activities of voluntary groups or individuals not in the status of organized auxiliary personnel shall be coordinated by the Lower Umpqua Auxiliary and shall be subject to the direction and control by the Board of Directors.

ARTICLE X
INDEMNIFICATION OF OFFICERS AND DIRECTORS

The corporation shall indemnify to the fullest extent permitted by the Oregon Nonprofit Corporation Act any person who has been made, or is threatened to be made, a party to an action, suit, or proceeding, whether civil, criminal, administrative, investigative, or otherwise (including an action, suit, or proceeding by or in the right of the corporation), by reason of the fact that the person is or was a Director or officer of the corporation, or a fiduciary within the meaning of the Employee Retirement Income Security Act of 1974 with respect to an employee benefit plan of the corporation or serves or served at the request of the corporation as a Director, or as an officer, or as a fiduciary of an employee benefit plan, or another corporation, partnership, joint venture, trust, or other enterprise.

This Article shall apply only if:

1. The conduct of the individual was in good faith;

2. The individual reasonably believed that the individual's conduct was in the best interest of the corporation, or at least not opposed to its best interests (a Director's conduct with respect to an employee benefit plan for a purpose the Director reasonably believed to be in the interests of the participants in and beneficiaries of the plan is conduct that satisfies the requirements of this subsection); and,

3. In the case of any criminal proceeding, the corporation has no reasonable cause to believe the conduct of the individual is unlawful.

Except the corporation shall not indemnify an Officer or Director under this section:

a. In connection with a proceeding by or in the right of the corporation in which the officer or Director is adjudged liable to the corporation; or,

b. In connection with any other proceeding charging improper personal benefit to the officer or Director in which the officer or Director is adjudged liable on the basis that personal benefit is improperly received by the officer or Director.

Indemnification permitted under this Article in connection with a proceeding by or in the right of the corporation is limited to reasonable expenses incurred in connection with the proceeding.

The corporation may not indemnify an officer or Director under ORS 65.391 unless authorized in the specific case after a determination has been made that indemnification of the officer or Director is permissible in the circumstances because the officer or Director has met the standard of conduct set forth in ORS 65.391.

ARTICLE XI
ADVANCES FOR EXPENSES

The corporation may pay for or reimburse the reasonable expenses incurred by the officer or Director who is a party to a proceeding in advance of final disposition of the proceeding if:

l. The officer or Director furnishes the corporation a written affirmation of the officer's or Director's good faith belief that the Officer or Director has met the standard of conduct described in ORS 65.391; and

2. The officer of Director furnished the corporation a written undertaking, executed personally or on the officer's or Director's behalf, to repay the advance if it is

ultimately determined that the officer or Director did not meet the standard of conduct. The undertaking required must be an unlimited general obligation of the officer or Director but need not be secured and may be accepted without reference to financial ability to make repayment.

ARTICLE XII
BYLAW REVIEW AND REVISION

The Bylaws shall be reviewed at least every three years. Bylaws may be amended by a majority vote of the members of the Board of Directors at any regular meeting, so long as the amendment is not contrary to law. Proposed amendments or changes should be made available to all members of the Board of Directors at least two weeks prior to the Board meeting at which the amendments or changes are to be considered. (Amended 4/08)

The foregoing Bylaws were adopted by the Board of Directors of the Lower Umpqua Hospital District at its regular meeting on the 24th day of April 2002, as amended on 2/92, 2/96,3/99, 3/01, 5/02, 10/03, 1/05, 3/07, 4/08, 6/11, 3/14, 9/17 and as now amended, are in full force and effect as of this 26th day of July, 2023.

ATTEST:

Laura McCorkle, Secretary

LOWER UMPQUA HOSPITAL DISTRICT

Ron Kreskey, Chair

Cheryl Young, Vice Chair

Leon Bridge, Treasurer

Karen Bedard, Director

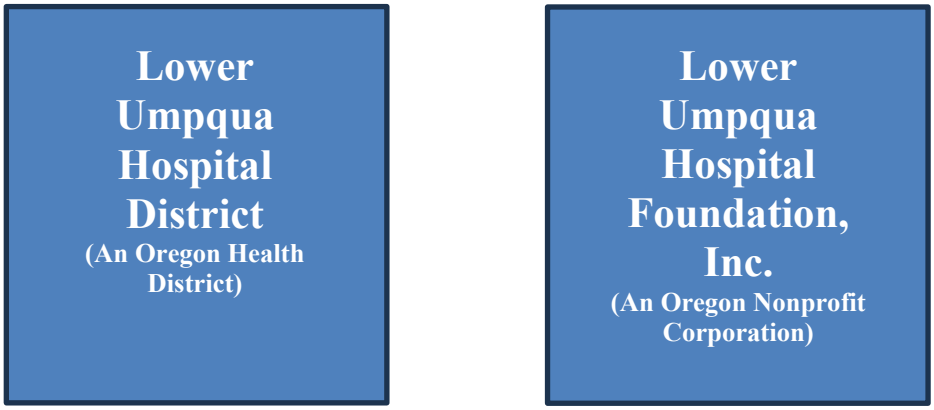
Amended Bylaws
2/92 - 2/96 | 2/96 – 3/99 | 3/99 – 3/01 | 3/01 – 5/02
5/02 – 10/03 | 10/03 - 1/05 | 1/05 – 3/07 | 3/07 – 4/08
4/08 – 6/11 | 6/11 – 3/14 | 3/14 – 07/23

Attachment I

Exhibit 1.c.

Organizational Chart or Structure

ORGANIZATIONAL CHART
LOWER UMPQUA HOSPITAL DISTRICT



Notes:

- Lower Umpqua Hospital District has no affiliates.

Attachment I

Exhibit 1.d.

HCMO-1b: Business Entities Form

Health Care Market Oversight (HCMO) Program
HCMO-1b: Business Entities Form

List all business entities associated with parties to the proposed material change transaction that are currently registered to operate in Oregon. Please add additional rows or pages as needed. Submit the completed form in a portable document form (pdf) to hcmo.info@oha.oregon.gov. This form will be published.

Definitions

"**Business Name**" refers to the legal business name as reported to the Internal Revenue Service.

"**Assumed Business Name**" has the meaning provided in ORS 648.005.

"**Business Structure**" refers to type of structure, such as a corporation, partnership, LLC, or other.

"**Date Formed or Incorporated**" refers to the date when the business entity was formed or incorporated.

"**Jurisdiction**" refers to the state of domestic registration.

"**Principal Place of Business**" is the physical street address where the business is located.

"**FEIN**" means the 9-digit federal tax identification number assigned by the Internal Revenue Service.

Business entities associated with Party A

Entity Name: Lower Umpqua Hospital District

Business Name	Assumed Business Name	Business Structure	Date Formed or Incorporated	Jurisdiction	Principal Place of Business	FEIN
Lower Umpqua Hospital District	Click or tap here to enter text.	501(c)(3) public health district	October 26, 1954	Oregon	600 Ranch Road, Reedsport, Oregon 97467	93-0505011
Lower Umpqua Hospital Foundation, Inc.	Click or tap here to enter text.	501(c)(3) nonprofit corporation	February 18, 1982	Oregon	600 Ranch Road, Reedsport, Oregon 97467	91-1859454
Click or tap here to enter text.	Click or tap here to enter text.	Click or tap here to enter text.	Click or tap here to enter text.	Click or tap here to enter text.	Click or tap here to enter text.	Click or tap here to enter text.
Click or tap here to enter text.	Click or tap here to enter text.	Click or tap here to enter text.	Click or tap here to enter text.	Click or tap here to enter text.	Click or tap here to enter text.	Click or tap here to enter text.
Click or tap here to enter text.	Click or tap here to enter text.	Click or tap here to enter text.	Click or tap here to enter text.	Click or tap here to enter text.	Click or tap here to enter text.	Click or tap here to enter text.
Click or tap here to enter text.	Click or tap here to enter text.	Click or tap here to enter text.	Click or tap here to enter text.	Click or tap here to enter text.	Click or tap here to enter text.	Click or tap here to enter text.
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Attachment I

Exhibit 1.e.

Financial Statements

Report of Independent Auditors and
Financial Statements
With Supplementary Information

Lower Umpqua Hospital District
dba Lower Umpqua Hospital

June 30, 2023 and 2022

MOSSADAMS

Table of Contents

Lower Umpqua Hospital District
dba Lower Umpqua Hospital
Organization
June 30, 2023

Members of the Board of Directors as of July 1, 2023, are:

Mr. Ron Kreskey 323 Bittersweet Court Reedsport, OR 97467	President
Mr. Leon Bridge 2700 Ridgeway Drive Reedsport, OR 97467	Treasurer
Ms. Karen Bedard 2165 Winchester Avenue Reedsport, OR 97467	Member
Ms. Cheryl Young 3539 South Smith River Road Reedsport, OR 97467	Member
Ms. Laura McCorkle 469 Providence Drive Reedsport, OR 97467	Secretary

Lower Umpqua Hospital District has designated the following registered agent and office as of July 1, 2023:

Registered agent	Ms. Melissa Cribbins
Registered office	Lower Umpqua Hospital 600 Ranch Road Reedsport, OR 97467

MOSSADAMS

Report of Independent Auditors

The Board of Directors
Lower Umpqua Hospital District

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lower Umpqua Hospital District, which comprise the statement of net position as of June 30, 2023, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Lower Umpqua Hospital District as of June 30, 2023, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 (Government Auditing Standards),* issued by the Comptroller General of the United States. 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 Lower Umpqua Hospital District 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.

Prior Period Financial Statements

The financial statements of Lower Umpqua Hospital District as of June 30, 2022, were audited by other auditors whose report dated October 24, 2022, on those statements expressed an unmodified opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, 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 Lower Umpqua Hospital District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about 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 Lower Umpqua Hospital District'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 Lower Umpqua Hospital District'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6 through 14 be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Lower Umpqua Hospital District’s financial statements. The schedule of Revenue, Expenditures, and Changes in Net Position – Budget and Actual is presented for purposes of additional analysis and is not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of Revenue, Expenditures, and Changes in Net Position – Budget and Actual is fairly stated, in all material respects, in relation to the basic 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 November 28, 2023 on our consideration of the Lower Umpqua Hospital District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Lower Umpqua Hospital District’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 Lower Umpqua Hospital District's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated November 28, 2023, on our consideration of the Lower Umpqua Hospital District's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is solely to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Moss Adams LLP

Portland, Oregon
November 28, 2023

Management's Discussion and Analysis

Lower Umpqua Hospital District
dba Lower Umpqua Hospital
Management's Discussion and Analysis
Year ended June 30, 2023

Introduction

Management's discussion and analysis of Lower Umpqua Hospital District's, dba Lower Umpqua Hospital's (the Hospital's), financial performance provides an overview of the Hospital's financial activities for the fiscal year ended June 30, 2023, 2022, and 2021. Please read it in conjunction with the Hospital's financial statements, which begin on page 12.

Financial Highlights

In the fiscal year ending June 30, 2023, Hospital volumes continued moving toward more historical normalcy. The Coronavirus pandemic still had an effect on operations but to a lesser degree. Nursing and staff shortages continue to be an issue causing reliance on agency staffing.

Some key financial highlights are as follows:

- The Hospital reported operating losses of approximately $4.6 million, $4.7 million and $5.5 million in fiscal years 2023, 2022 and 2021, respectively. While operating losses have improved, they are still historically high. This is partially attributable to the continuing economic inflation related to the COVID-19 pandemic – which has had a tremendous negative financial impact on labor and other operating costs. Other factors include generally low overall volume related to Covid effects on patient health care behavior.

- Operating revenue increased $1.6 million and $4.2 million in 2023 and 2022, respectively.

- Operating expenses increased $1.4 million and $3.4 million in 2023 and 2022, respectively.

- Nonoperating revenue decreased approximately $3.7 million and $2.4 million in fiscal years 2023 and 2022, respectively. The decreases are primarily the result of reduced Covid Stimulus relief recognition. In 2023 no covid stimulus relief was recognized versus $3.7 million and $6.2 million in 2022 and 2021, respectively.

- The Hospital's net position decreased by approximately $2.1 million (or 17.6%) during fiscal year 2023. This contrasts with 2022 net position increase of approximately $1.7 million (or 17.1%).

Overview of the Financial Statements

The Hospital's financial statements consist of three statements - the statement of net position: statement of revenue, expenses, and changes in net position and a statement of cash flows. These financial statements and related notes provide information about the financial activities of the Hospital.

The statement of net position and statement of revenue, expenses, and changes in net position
The statement of net position and the statement of revenue, expenses, and changes in net position report information about the Hospital's resources and its activities in a way that helps the user decide if the Hospital as a whole is better or worse off as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Hospital's net position and changes in net position from the prior year. You can think of the Hospital's net position (the difference between assets and liabilities) – as one way to measure the Hospital's financial health, or financial position. Over time, increases or decreases in the Hospital's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non- financial factors, however, such as changes in the Hospital's patient base and measures of the quality of service that it provides to the community, as well as local economic factors, to assess the overall health of the Hospital.

The statement of cash flows
This statement reports cash receipts, cash payments, and net changes in cash and cash equivalents resulting from operating activities, noncapital financing activities, capital and related financing activities, and investing activities. It provides answers to such questions as "Where did cash come from?", "What was cash used for?" , and "What was the change in the cash balance during the reporting period?"

Financial Analysis of the Hospital
The Hospital's net position, the difference between its assets and liabilities as reported in the statement of net position is a way to measure financial health or financial position. Over time, sustained increases or decreases in the Hospital's net position are one indicator of whether its financial health is improving or deteriorating. However, other nonfinancial factors such as changes in economic condition, population growth and new or revised governmental regulations and legislation should also be considered.

Table 1: Assets, liabilities, and net position

	June 30, 2023	2022	2021
ASSETS			
Current assets	$ 9,207,431	$ 13,013,249	$ 14,731,940
Restricted non-current cash and investments	402,514	391,634	1,082,082
Capital assets – net	4,356,108	4,856,648	5,086,737
Lease and subscription assets – net	1,750,195	1,274,929	-
Other noncurrent assets – net	97,484	228,925	453,440
Total assets	$ 15,813,732	$ 19,765,385	$ 21,354,199
LIABILITIES			
Current liabilities	$ 3,652,741	$ 6,103,497	$ 6,273,661
Long-term obligations, net of current portion	1,042,356	908,963	1,823,936
Other current and noncurrent obligations	420,400	420,000	420,000
Lease and subscription obligation, net of current portion	953,785	510,967	-
Total liabilities	6,069,282	7,943,427	8,517,597
Net position			
Net investment in capital assets	3,358,386	3,736,328	3,218,354
Restricted for debt service	333,880	333,880	333,880
Unrestricted	6,052,184	7,751,750	6,540,978
Total net position	$ 9,744,450	$ 11,821,958	$ 10,093,212

Factors affecting the Hospital's statement of net position in 2023 include:

- Current assets decreased by $3.5 million primarily due to cash balance decreases in the amount of $3.2 million. The decrease in cash is primarily due to a combination of loan repayments including Medicare Advance payment of approximately $1.3 million and coverage of general operations.

- Capital assets – net decreased by approximately $500,000 due to depreciation of existing Capital assets which were in excess of 2023 capital expenditures. District capital purchases included routine replacement and upgrade of equipment.

- Total liabilities decreased by $1.8 million due to repayment of loans mentioned above.

Table 2: Operating results and changes in net position

	June 30,		
	2023	2022	2021
OPERATING REVENUE			
Net patient service revenue	$ 29,496,988	$ 28,789,926	$ 24,652,442
Other revenue	2,893,449	2,015,636	1,973,237
Total operating revenue	32,390,437	30,805,562	26,625,679
OPERATING EXPENSES			
Salaries and benefits	20,463,349	19,792,330	17,352,467
Supplies and other	6,961,612	6,970,268	6,744,391
Professional fees and purchased services	8,078,834	7,475,332	7,163,641
Depreciation and amortization	1,456,574	1,297,904	838,635
Total operating expenses	36,960,369	35,535,834	32,099,134
OPERATING LOSS	(4,569,932)	(4,730,272)	(5,473,455)
NONOPERATING REVENUE (EXPENSES)			
Property and other county taxes, net	2,372,421	2,116,833	2,122,759
Government stimulus income	-	1,738,375	3,198,319
Gain on PPP loan extinguishment	-	2,009,644	2,995,100
Noncapital grants	226,566	497,322	79,028
Investment income	112,688	29,113	22,527
Interest expense	(185,621)	(152,214)	(147,862)
Other, net	(33,630)	(41,593)	2,833
Total nonoperating revenue, net	2,492,424	6,197,480	8,272,704
Income before capital contributions	(2,077,508)	1,467,208	2,799,249
Capital contributions	-	261,538	10,532
Increase in net position	(2,077,508)	1,728,746	2,809,781
NET POSITION, beginning of year	11,821,958	10,093,212	7,283,431
NET POSITION, end of year	$ 9,744,450	$ 11,821,958	$ 10,093,212

Operating loss – The primary component of the overall change in the Hospital's net position is its operating loss, generally, the difference between net patient service revenue and the expenses incurred to perform those services. However, the Hospital normally incurs operating losses in fulfillment of its mission to provide access to a full range of basic, affordable medical services to the residents of its district. When the Hospital was incorporated as a municipal corporation in Douglas County (the County) in 1954, it was agreed that a portion of its costs would be subsidized by property tax revenue, making the facility more affordable for the County's lower-income residents. Accordingly, the Hospital's operating losses are generally offset by property taxes and other nonoperating revenue. The hospital reduced its operating losses by $160,000 and $750,000 in 2023 and 2022, respectively. However, 2023 the loss was still higher than historical averages. Significant components of the 2023 change in net position were:

- **Patient Days – Acute inpatient days** increased by 72 or 4%. This is the second year of increases and returning the hospital to inpatient levels seen before the Covid Crisis. **Emergency Room visits, Surgeries and Clinic visits** also followed suit with increases of 11%, 9% and 14%, respectively.

- **Salaries and benefits –** Salaries and benefits increased by approximately $671,000 (3.4%) over the prior year. A significant portion of this increase was due to continued inflationary increases in labor costs required to remain competitive through the broad labor shortages. Total Full Time Equivalents in 2023 were 178 verses 183 in 2022. The Hospital currently has two unions with whom it must negotiate. As of June 30, 2023, the United Food and Commercial Workers union (UFCW) covered approximately 52% of the Hospital's employees, and the Teamsters Local 206 union (Teamsters) covered approximately 20%. The Hospital's agreement with the UFCW expires on November 30, 2023, and its agreement with the Teamsters expires on May 31, 2024.

- **Professional fees and purchased services –** Professional fees and purchased services increased by approximately $604,000 (7.3%) in 2023. The increase correlates to additional utilization of contracted professional staffing to cover for the tight labor market.

- **Contractual Adjustments** – The Hospital provides care to patients who qualify for government-sponsored programs such as Medicare, Medicaid, and the Oregon Health Plan (OHP), for which a large discount from billed charges is mandated. In many cases, the payment received is less than the actual cost of treatment. The aggregate amount of these contractual deductions was approximately $20.5 million and $19.6 million in fiscal years 2023 and 2022, respectively.

- **Charity and Bad Debt –** The Hospital oftentimes provides care to patients who have little or no health insurance coverage or other means of repayment. When patients meet the Hospital's established charity care guidelines, all or part of their bill is written off. The charges written off for services provided to these patients were approximately $619,000 and $451,000 in fiscal years 2023 and 2022, respectively. Because there is no expectation of repayment, charity care is not reported as net patient service revenue of the Hospital. The Hospital's provision for bad debts was approximately $784,000 and $595,000 in fiscal years 2023 and 2022, respectively.

- **Nonoperating revenue and expenses –** Nonoperating revenue and expenses consist primarily of property and other county tax revenue, interest income, interest expense, and noncapital grants. Amounts in 2023 were 2.4 million compared to 6.2 million in 2022. The reduction correlated with the elimination of Covid stimulus funds. Recognition of stimulus funds were zero and 3.7 million in 2023 and 2022, respectively.

- **Contributions and grants –** In fiscal years 2023 and 2022, there were approximately $0 and $262,000, respectively, in capital contributions. We are fortunate to have the support of Douglas County who provided $250,000 of the 2022 contributions. In addition, in fiscal years 2023 and 2022, the Hospital received noncapital grants of approximately $227,000 and $479,000, respectively. Donations are made directly to the Hospital.

The Hospital's Cash Flows – The Hospital had negative cash flows from operating activities in the amounts of $4.4 million, $5.7 million and $5.0 million in 2023, 2022 and 2021, respectively. Cash flows from operating activities decreased consistent with changes in operating losses.

The Hospital had positive cash flows from non-capital financing activities in the amount of $2.5 million, $4.4 million and $4.3 million in 2023, 2022 and 2021, respectively. The significant cash flows in 2022 and 2021 included proceeds from Covid stimulus grants.

The Hospital had negative cash flows from capital and related financing activities in the amount of $1.5 million, $1.9 million and $1.6 million in 2023, 2022 and 2021, respectively. This represents cash used in the acquisition of capital assets and the payment of principal and interest on debt.

The Hospital had positive cash flows from investing activities of $1.6 million, $4.5 million and $6.1 million for 2023, 2022 and 2021, respectively.

Capital Assets – As of June 30, 2023 and 2022 the Hospital had approximately $4.4 million and $4.9 million invested in capital assets, net of accumulated depreciation, as detailed in the notes to the financial statements. In fiscal years 2023 and 2022, the Hospital acquired new equipment and made capital improvements costing approximately $440,000 and $864,000, respectively. In fiscal year 2023, the Hospital capital purchases included, Ultrasound machine, ICU Medical Pump upgrade, new flooring for operating room, reader board and routine upgrade and replacements for surgical and other equipment. The Hospital has found it more economical in many circumstances to lease its major equipment. This allows the Hospital to avoid some of the costs of obsolescence caused by technological changes. In 2023 the Hospital leased major equipment with operating lease expense in the amounts of $638,000.

Long-term obligations – As of June 30, 2023, the Hospital had approximately $2.7 million in long-term obligations outstanding (including the current portion). This compares to approximately $2.6 million in long-term obligations outstanding as of June 30, 2022. Long-term obligations outstanding as of June 30, 2023, consist of a note payable owed to Umpqua; a note payable owed to the County; and various lease agreements and subscription-based information technology arrangements that are now required to be recorded as both capital assets and long-term obligations in accordance with new accounting standards. The note payable to Umpqua was to refinance the Hospital's 1996 Revenue Installment (Health Care Facilities) Bond, Series A and B and a prior note payable to Umpqua. The note payable to the County relates to Master Heights subdivision, a community development project discussed in the notes to the financial statements.

Other economic factors – The Hospital is the largest employer in Reedsport, followed by the local school district. In recent years, the Southern Oregon Coast has experienced significant growth in the retiree population moving to the coast from California and other states, and tourism is growing as an important contributor to the local economy. The local economy has been impacted by high rates of unemployment for many years. The Hospital works with local agencies and businesses to help draw industry and business to the Central Oregon coast and, in particular, Reedsport. The greatest factor that influences the Hospital's overall finances is its ability to recruit and retain adequate medical staff. This factor is common to all hospitals on the Oregon coast and to most rural hospitals nationwide. As salaries for medical providers increase because of competition, health care reform has all but guaranteed that payment rates for services rendered will diminish. As a result, the Hospital has and will continue to incur significant net expense to bring these providers to Reedsport and to keep them here. The Hospital's participation in projects like the Master Heights Subdivision and a partnership with the local school district were, in part, to help ensure that the resources and infrastructure are available in Reedsport to assist the Hospital with this recruitment and retention issue.

The Hospital continues to face many of the same challenges that small, rural hospitals across our nation face, including concentration of credit risk, high Medicare and Medicaid populations, economically challenged communities, significant labor shortages, rising wage rates and very expensive contract labor, and difficulties in recruiting and maintaining an adequate medical staff to serve the diverse needs of the community. The Hospital continues to receive significant tax support from the community; and management continues to closely monitor external forces that affect the Hospital's financial position in order to make timely operational changes, as necessary, to adapt.

Contacting the Hospital's financial management – This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. If you have questions about this report or need financial information, please contact the Hospital's Administration Office, at Lower Umpqua Hospital, 600 Ranch Road, Reedsport, Oregon 97467.

Financial Statements

Lower Umpqua Hospital District
dba Lower Umpqua Hospital
Statements of Net Position
June 30, 2023 and 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 3,336,553	$ 5,208,204
Patient accounts receivable, net of allowance for doubtful accounts of $761,251 and $1,010,772 as of June 30, 2023 and 2022, respectively	3,552,747	4,671,239
Property taxes receivable	268,635	230,716
Supplies inventory	844,695	766,780
Restricted cash and investments, current	77,144	1,416,750
Prepaid expenses and other current assets	1,033,178	719,560
Estimated third-party payor settlements receivable, net	94,479	-
Total current assets	9,207,431	13,013,249
RESTRICTED NONCURRENT CASH AND INVESTMENTS, NET	402,514	391,634
LEASE AND SUBSCRIPTION ASSETS, NET	1,750,195	1,274,929
CAPITAL ASSETS		
Depreciable capital assets, net of accumulated depreciation	3,897,428	4,339,139
Non-depreciable capital assets	458,680	517,509
Total capital assets, net	4,356,108	4,856,648
OTHER NONCURRENT ASSETS	97,484	228,925
Total assets	$ 15,813,732	$ 19,765,385

See accompanying notes.

Lower Umpqua Hospital District
dba Lower Umpqua Hospital
Statements of Net Position
June 30, 2023 and 2022

	2023	2022
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	$ 1,046,113	$ 1,560,804
Accrued liabilities		
Payroll, payroll taxes, and withholdings	675,243	623,749
Paid time off	859,596	872,035
Other	242,869	181,512
Estimated third-party payor settlements payable, net	-	244,403
Current portion of long-term obligations	226,841	712,570
Deferred grant revenue	77,144	141,162
Lease and subscription obligations, current	524,935	491,674
Medicare accelerated payments	-	1,275,588
Total current liabilities	3,652,741	6,103,497
NONCURRENT LIABILITIES		
Long-term obligations, net of current portion	1,042,356	908,963
Estimated medical malpractice claims liability	420,400	420,000
Lease and subscription obligations, net of current portion	953,785	510,967
Total noncurrent liabilities	2,416,541	1,839,930
Total liabilities	6,069,282	7,943,427
NET POSITION		
Net investment in capital assets	3,358,386	3,464,039
Restricted for debt service	333,880	333,880
Unrestricted	6,052,184	8,024,039
Total net position	9,744,450	11,821,958
Total liabilities and net position	$ 15,813,732	$ 19,765,385

See accompanying notes.

Lower Umpqua Hospital District
dba Lower Umpqua Hospital
Statement of Revenue, Expenses, and Changes in Net Position
Year Ended June 30, 2023 and 2022

	2023	2022
OPERATING REVENUE		
Net patient service revenue, net of provision for bad debts of $784,025 and $594,924 for the years ended June 30, 2023 and 2022, respectively	$ 29,496,988	$ 28,789,926
Other revenue	2,893,449	2,015,636
Total operating revenue	32,390,437	30,805,562
OPERATING EXPENSES		
Salaries and benefits	20,463,349	19,792,330
Supplies and other	6,961,612	6,970,268
Professional fees and purchased services	8,078,834	7,475,332
Depreciation and amortization	1,456,574	1,297,904
Total operating expenses	36,960,369	35,535,834
OPERATING LOSS	(4,569,932)	(4,730,272)
NONOPERATING REVENUE (EXPENSES)		
Property and other county taxes, net	2,372,421	2,116,833
Government stimulus income	-	1,738,375
Gain on Payroll Protection Program loan extinguishment	-	2,009,644
Noncapital grants	226,566	497,322
Investment income	112,688	29,113
Interest expense	(185,621)	(152,214)
Other, net	(33,630)	(41,593)
Total nonoperating revenue, net	2,492,424	6,197,480
(LOSS) INCOME BEFORE CAPITAL CONTRIBUTIONS	(2,077,508)	1,467,208
Capital contributions	-	261,538
(Decrease) increase in net position	(2,077,508)	1,728,746
NET POSITION, beginning of year	11,821,958	10,093,212
NET POSITION, end of year	$ 9,744,450	$ 11,821,958

See accompanying notes.

Lower Umpqua Hospital District
dba Lower Umpqua Hospital
Statement of Cash Flows
June 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from and on behalf of patients	$ 29,001,010	$ 28,236,626
Payments to suppliers and contractors	(15,946,270)	(13,963,106)
Payments to employees	(20,362,937)	(19,725,917)
Other receipts and payments, net	2,893,449	(281,753)
Net cash used by operating activities	$ (4,414,748)	$ (5,734,150)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipt of government stimulus grants	-	1,738,375
Property and other county taxes - net	2,334,502	2,113,536
Noncapital grants	162,548	538,484
Net cash provided by noncapital financing activities	2,497,050	4,390,395
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(309,425)	(853,886)
Payments on lease and SBITA liabilities	(645,796)	(715,680)
Principal paid on long-term obligations	(352,336)	(439,595)
Interest paid on leases, SBITAs, and long-term obligations	(185,621)	(152,214)
Capital contributions	-	261,538
Other, net	(33,630)	(41,593)
Net cash used by capital and related financing activities	(1,526,808)	(1,941,430)
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in restricted cash and investments	1,328,726	4,247,493
Increase in other noncurrent assets	131,441	224,515
Investment income	112,688	29,113
Net cash provided by investing activities	1,572,855	4,501,121
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,871,651)	1,215,936
CASH AND CASH EQUIVALENTS, beginning of year	5,208,204	3,992,268
CASH AND CASH EQUIVALENTS, end of year	$ 3,336,553	$ 5,208,204

Lower Umpqua Hospital District
dba Lower Umpqua Hospital
Statement of Cash Flows
June 30, 2023 and 2022

	2023	2022
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
OPERATING LOSS	$ (4,569,932)	$ (4,730,272)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation and amortization	1,456,574	1,297,904
Provision for bad debts	784,025	1,180,970
Changes in certain operating assets and liabilities		
Patient accounts receivable	334,467	(2,177,207)
Estimated third-party payor settlements, net	(338,882)	442,937
Supplies inventory	(77,915)	61,202
Prepaid expenses and other current assets	(313,618)	86,148
Accounts payable	(514,291)	516,157
Accrued liabilities	100,412	(83,434)
Medicare accelerated payments	(1,275,588)	(2,328,555)
Net cash used by operating activities	$ (4,414,748)	$ (5,734,150)
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCIAL ACTIVITIES		
Lease assets and liabilities recognized	$ 535,675	$ 619,676
Subscription-based information technology arrangement assets and liabilities recognized	$ 518,305	$ 60,113

See accompanying notes.

Note 1 – Business, Organization, and Summary of Significant Accounting Policies

Reporting entity – Lower Umpqua Hospital District, dba Lower Umpqua Hospital (the Hospital), was incorporated as a municipal corporation in Douglas County, Oregon (the County) in October 1954. The Hospital provides various health care and health care related services to the citizens of Reedsport, Oregon and to others in the County area.

The Lower Umpqua Hospital Foundation, Inc. (the Foundation) was established to engage in and conduct charitable, educational, and scientific activities and to raise funds in support of the Hospital. The Foundation is a separate nonprofit corporation and a tax-exempt organization under the provisions of the Internal Revenue Code (the Code).

Basis of presentation and accounting – The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The accompanying financial statements include the accounts and transactions of the Hospital. The Foundation is managed by an independent Board of Directors and is not financially accountable to the Hospital. The accompanying financial statements do not include the accounts and transactions of the Foundation, as such accounts and transactions are not significant to the Hospital's separate financial statements. The Hospital is not a component unit of any other organization.

Budgetary information – ORS 440.403 establishes standard procedures relating to the preparation, adoption, and execution of the annual budget. Budgetary comparisons for enterprise funds are not required by GAAP. Accordingly, such comparisons of approved budgeted amounts with actual results of operations for individual funds prepared on a basis other than GAAP are set forth as supplementary information, as listed in the table of contents. Expenditure levels of control are personnel services, materials and services, capital outlay, debt service, and contingencies. After a public hearing on the budget, it is adopted and appropriations are made by June 30, which is prior to the start of the fiscal year. Expenditures cannot legally exceed appropriations and lapse at fiscal year-end. Action of the Board may transfer appropriations between control categories or amend the budget with notice.

The Board may change the budget throughout the year by transferring appropriations between levels of control and by adopting supplemental budgets as authorized by ORS. Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers and approval by the Board. Expenditure appropriations may not be legally over-expended except in the case of grant receipts that could not be reasonably estimated at the time the budget was adopted, and for debt service on new debt issued during the budget year. Management may transfer budget amounts between individual line items within the function group, but cannot make changes to the function groups themselves, which is the legal level of control.

Financial position, results of operations, and change in net position are reported on the basis of accounting principles generally accepted in the United States of America. The budgetary basis of accounting differs from generally accepted accounting principles. The budgetary basis statements provided as part of supplementary information elsewhere in this report are presented on the budgetary basis to provide a meaningful comparison to actual results with the budget. The budgetary basis of accounting is substantially the same as generally accepted accounting principles in the United States of America, with the exceptions that capital outlay expenditures are expensed when purchased, depreciation is not calculated, compensated absences are expensed when paid rather than when incurred and principal payment and proceeds on long-term debt are recorded in revenues when received and expenditures when paid.

Use of estimates – The preparation of financial statements in conformity with U.S. GAAP requires estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Enterprise fund accounting – The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on an accrual basis using the economic resources measurement focus.

Cash and cash equivalents – Cash and cash equivalents include certain highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at cost, which approximates market value.

Patient accounts receivable and allowance for doubtful accounts – The collection of receivables from third-party payors and patients is the Hospital's primary source of cash and is critical to its operating performance. When the Hospital provides care to patients, it does not require collateral; however, it maintains an estimated allowance for doubtful accounts. The primary collection risks relate to uninsured patient accounts and patient accounts for which the primary insurance payor has paid, but the patient is responsible for the remaining amounts outstanding (generally deductibles and co-payments). The Hospital does not maintain a significant allowance for doubtful accounts related to patient accounts receivable from third-party payors, nor has it historically had significant bad debt write-offs of patient accounts receivable from third-party payors. However, for services provided to patients who have third-party coverage, the Hospital records the related patient service revenue and patient accounts receivable net of contractual discounts and allowances.

For patient accounts receivable due from self-pay patients which include both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill the Hospital records a significant allowance for doubtful accounts. The allowance for doubtful accounts is determined based primarily upon the Hospital's historical collection experience, the age of patients' accounts, Management's estimate of the patients' economic ability to pay, and the effectiveness of collection efforts. Patient accounts receivable balances are routinely reviewed in conjunction with historical collection rates and other economic conditions which might ultimately affect the collectability of patient accounts when considering the adequacy of the amounts recorded in the allowance for doubtful accounts. The difference between the Hospital's standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts. Recoveries of amounts charged off are added to the allowance for doubtful accounts. Actual write-offs have historically been within Management's expectations. Significant changes in payor mix, business office operations, economic conditions, or trends in federal and state governmental health care coverage could affect the Hospital's collection of patient accounts receivable, cash flows, and results of operations.

Significant concentrations of net patient accounts receivable as of June 30 were approximately as follows:

	2023	2022
Medicare	50%	49%
Medicaid and Oregon Health Plan (OHP)	19%	18%
Commercial insurance and other negotiated contracts	25%	28%
Self-pay	6%	5%
	100%	100%

Property taxes –The Hospital received approximately 6.8% and 5.7% of its financial support from property taxes for the years ended June 30, 2023 and 2022, respectively.

Property taxes are levied annually under Oregon Revised Statute (ORS) 440.395 to supplement the Hospital's operations. Property taxes are assessed on all taxable property as of January 1 preceding the beginning of the fiscal year. Property taxes become a lien on January 1 for personal property and on July 1 for real property. Property taxes are levied on July 1. Collection dates are generally November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

The Hospital's property taxes receivable as of June 30, 2023 and 2022 are deemed by Management to be substantially collectible or recoverable through liens. Accordingly, no allowance for uncollectible property taxes receivable is considered necessary by Management.

Supplies inventories – Supplies inventories, comprised primarily of medical and surgical inventories, are stated at lower of cost (first-in, first-out) or net realizable value.

Restricted cash and investments – Restricted cash and investments primarily consist of assets (money market accounts) from the Advance Payment Program and other financial assistance, and assets (cash deposits in the Oregon State Treasury Local Government Investment Pool (LGIP) which are required to be maintained in a debt service reserve account by the Hospital's loan agreement with Umpqua. Interest income on restricted assets is included in nonoperating revenue when earned. As of June 30, 2023 and 2022 current restricted cash and investments were $77,144 and $1,416,750, and non-current restricted cash and investments were $402,514 and $391,364, respectively.

Capital assets – The Hospital's capital assets are reported at historical cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. Expenditures for maintenance and repairs are charged to operations as incurred. Improvements and replacements of capital assets are capitalized.

The Hospital evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Impairment losses on capital assets are measured using the method which best reflects the diminished service utility of the capital asset.

All capital assets other than land and construction in process are depreciated using the straight-line method of depreciation with useful lives as defined by the American Hospital Association guide "Estimated Useful Lives" publication. Depreciation can range from 5 years for high tech equipment to 40 years for new buildings.

Leases – The Hospital has various leasing arrangements, which are primarily for certain real property such as medical office and clinic facilities, as well as for certain medical and office equipment. The Hospital determines if an arrangement is a lease at inception of the contract. For each lease, the Hospital records a lease asset (representing the right to use the underlying asset for the lease term) and a lease liability (representing the obligation to make lease payments required under the terms of the lease). Lease assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments required over the lease term. The Hospital uses its estimated incremental borrowing rate derived from information available at the lease commencement date as the discount rate when determining the present value of lease payments.

Many of the Hospital's lease agreements include one or more renewal options. Renewal terms generally extend the related lease from one to five years at the then market rate of rental payment or at a predetermined monthly payment in accordance with the lease agreement. All such renewal options are at the Hospital's discretion. Renewal options are evaluated at the commencement of each lease; only those that are reasonably certain of exercise are included in determining the appropriate lease term and for purposes of calculating the initial lease asset and lease liability.

Certain lease agreements for real property require variable lease payments based on actual common area maintenance expenses and/or real estate taxes. Variable lease payments may also include escalating rent payments that are not fixed at lease commencement but are based on an index that is determined in future periods based on changes in the Consumer Price Index or other measure of inflation. These variable lease payments are recognized in operating expenses but are not included in the lease asset or lease liability balances. The Hospital's lease agreements do not contain any material residual value guarantees, restrictions, or covenants. The Hospital adopted this accounting standard effective during the year ended June 30, 2022.

Subscription-based information technology arrangements – A subscription-based information technology arrangement (SBITA) is a contract that conveys to the Hospital control of the right to use another party's (i.e., a vendor's) IT software alone or in combination with tangible capital assets as specified in the contract for a period of time in an exchange or exchange-like transaction. The Hospital has various SBITAs which are primarily for certain IT software. The Hospital determines if an arrangement is a SBITA at inception of the contract. For each SBITA, the Hospital records a right-to-use subscription asset (i.e., an intangible asset representing the right to use the underlying IT software for the contract term) and a corresponding subscription liability (representing the obligation to make payments required under the terms of the contract). Subscription-based IT assets and liabilities are recognized at the commencement of the subscription term which occurs when the initial implementation stage of an IT project is completed based on the present value of subscription payments expected to be made during the subscription term. The Hospital uses its estimated incremental borrowing rate derived from information available at the SBITA commencement date as the discount rate when determining the present value of subscription payments.

Certain of the Hospital's SBITAs include one or more renewal options. Renewal terms generally extend the related subscription period for multiple one-year periods at a predetermined monthly payment in accordance with the SBITA contract. All such renewal options are at the Hospital's discretion. Renewal options are evaluated at the commencement of each SBITA; only those that are reasonably certain of exercise are included in determining the appropriate subscriptions of calculating the initial right-to-use subscription asset and subscription liability. The Hospital adopted this accounting standard effective during the year ended June 30, 2022.

Paid time off (PTO) – The Hospital's employees earn PTO at varying rates depending on years of service. Employees can accumulate unused PTO from one year to the next, except for PTO in excess of certain thresholds, with such excess being paid to them each December. In addition, in December of each year, employees covered by collective bargaining agreements (CBAs) can request that their unused PTO in excess of 40 hours be paid to them in cash, provided that such employees have accrued at least 120 hours of PTO by the prior October 31. All unused PTO is paid to employees in cash upon their termination of employment from the Hospital, if proper notice has been given.

Net position – Net position of municipal hospitals is typically classified into three broad components as follows:

- *Net investment in capital assets* consists of capital assets, net of accumulated depreciation and amortization and net of the current balances of any outstanding borrowings used to finance the purchase or construction of those assets.

- *Restricted net position* can include two components: Restricted expendable net position is noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital, including amounts deposited with trustees as required by bond indentures, and restricted nonexpendable net position equals the principal portion of permanent endowments.

- *Unrestricted net position* is the remaining net position that does not meet the definition of net investment in capital assets or restricted expendable or restricted nonexpendable net position.

Operating revenues and expenses – The Hospital's statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, the Hospital's principal activity. Non-exchange revenues, including taxes, investment income, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Net patient service revenue – The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements primarily include prospectively determined rates per discharge, reimbursed costs, discounted charges, per diem payments, and capitated payments. Net patient service revenue is reported at the estimated net realizable amounts due from patients, third-party payors, and others for services rendered and includes estimates for potential retroactive revenue adjustments under reimbursement agreements with third-party payors. Such estimates are adjusted in future periods as final settlements are determined.

Charity care – The Hospital provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Charity care expenses approximated $422,000 and $304,000 for the years ended June 30, 2023 and 2022, respectively. This estimate was based on the Hospital's overall ratio of costs to charges for the fiscal year.

Grants and contributions – Periodically, the Hospital receives grants from other municipalities, as well as contributions from individuals and private organizations. During the year ended June 30, 2023 and 2022, the Hospital received grants of $0 and $1,738,375 from HHS under the CARES Acts and $226,000 and $758,860 in other grants and financial assistance to help with COVID-19 costs, respectively (both capital and noncapital). Revenue from grants and contributions (including contributions of capital assets) is recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted either for specific operating purposes or for capital purposes. When the Hospital has both restricted and unrestricted resources available to finance a particular program, it is the Hospital's policy to use restricted resources before unrestricted resources. Amounts that are unrestricted or that are restricted for a specific operating purpose are reported as nonoperating revenue. Amounts restricted for capital acquisitions are reported after nonoperating revenue and expenses in the accompanying statement of revenue, expenses, and changes in net position.

Oregon provider tax – Oregon levies a "provider tax" on certain qualifying hospitals, including the Hospital, to provide additional funding for OHP. The tax is based on net patient service revenue, as adjusted in accordance with the rules governing the program. The Hospital recorded provider taxes of approximately $896,000 and $1,017,000 for the year ended June 30, 2023 and 2022, respectively, which are included in supplies and other operating expenses in the accompanying statement of revenue, expenses, and changes in net position.

In addition, the Hospital has entered into an agreement with the Hospital Association of Oregon (HAO) which provides that all payments to the Hospital related to beneficiaries of the Oregon Medical Assistance Program are to be remitted directly to HAO. HAO aggregates these payments, returning a portion to the Hospital. The remaining funds are pooled by HAO with like amounts received on behalf of other hospitals subject to the provider tax, and HAO redistributes such funds to qualifying hospitals. Any such amounts received by the Hospital from OAHHS are reflected as a component of net patient service revenue in the accompanying statement of revenue, expenses, and changes in net position. Prepaid expenses and other current assets include approximately $226,000 and $172,000 of provider taxes receivable due from HAO as of June 30, 2023 and 2022, and other accrued liabilities include approximately $226,000 and $175,000 of provider taxes payable to Oregon as of June 30, 2023 and 2022, respectively, in the accompanying statement of net position. Generally, the amount of annual receipts from HAO matches the annual amount of taxes paid.

Income taxes – The Hospital is a municipal corporation under Oregon state law and is not subject to Federal income taxes.

Recently issued accounting standards – In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. There are several elements of the Statement that are effective at different dates. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for the Hospital for the year ending June 30, 2023. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for the Hospital for the year ending June 30, 2024.

Note 2– Cash and Cash Equivalents

Cash and cash equivalents and restricted and cash and investments consisted of the following as of June 30, 2023:

	2023	2022
CASH AND CASH EQUIVALENTS		
Cash on hand	$ 1,879	$ 1,817
Unrestricted cash deposits in a financial institution	(3,170)	92,307
LGIP	2,231,067	2,652,907
Money market accounts	1,106,777	2,461,173
Total cash and cash equivalents	3,336,553	5,208,204
RESTRICTED CASH AND INVESTMENTS		
Medicare accelerated payments – money market account	-	1,275,588
Deferred grant funds – money market account	77,144	141,162
LGIP	333,880	333,880
Other, cash deposits in a financial institution and LGIP	68,634	57,754
Total restricted cash and investments	479,658	1,808,384
LESS PORTION CLASSIFIED AS CURRENT	(77,144)	(1,416,750)
Total restricted cash and investments, net of current portion	402,514	391,634
Total cash and cash equivalents and restricted cash and investments, net of current portion	$ 3,739,067	$ 5,599,838

The Hospital maintains their investments in the State of Oregon Local Government Investment Pool (LGIP), which is an alternate investment vehicle offered to participants that by law are made the custodian of, or have control of, any public funds. LGIP investments with remaining maturities of fewer than ninety days are carried at amortized cost, provided that the fair value of these instruments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. The LGIP investments are governed by a written investment policy that is reviewed annually by the Oregon Short-Term Fund Board. The Oregon Short-Term Fund Board is comprised of members of local government and private investment professionals, who are appointed by the Governor of the State of Oregon. The LGIP is not rated by any national rating service. The Hospital considers all investments to be cash and cash equivalents.

Credit risk
Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Hospital is required by ORS Chapter 295 (ORS 295) to maintain any deposits in financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) coverage at certain "qualified depositories." As of and for the year ended June 30, 2023, all of the Hospital's deposits in financial institutions in excess of FDIC coverage were maintained at a "qualified depository".

The ORS and the Hospital’s investment policy authorize the Hospital to invest in general obligations of the U.S. and the agencies and instrumentalities of the U.S. or enterprises sponsored by the U.S. Government; debt obligations of the agencies and instrumentalities of Oregon (rated A- or better) and the states of Washington, Idaho, or California (rated AA- or better); time deposit open accounts, CDs, and savings accounts in insured institutions or credit unions; credit union share and savings accounts; fixed or variable life insurance or annuity contracts and guaranteed investment contracts issued by life insurance companies authorized to do business in Oregon; certain pooled trusts of public employers' deferred compensation funds; certain banker's acceptances; certain corporate indebtedness that is rated P-1 or Aa3 or better by Moody's Investors Service or A-1 or AA- or better by Standard & Poor's Corporation; certain corporate indebtedness issued by financial institutions that is rated P-2 or A3 or better by Moody's Investors Service or A-2 or A or better by Standard & Poor's Corporation; certain securities of an open-end or closed-end management investment company or investment trust; certain repurchase agreements; and shares of stock of a company, association, or corporation (including shares of a mutual fund) but only if such funds are set aside pursuant to a deferred compensation plan and are held in trust for the exclusive benefit of participants and their beneficiaries.

The LGIP is not rated, and investments in the LGIP are not subject to the collateralization requirements of ORS 295.

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Debt securities with longer maturities are subject to increased risk of adverse interest rate changes. The Hospital has a formal investment policy that limits the expected maturities of investments as a means of managing its exposure to interest rate risk. The LGIP manages its exposure to interest rate risk by limiting the maturity of the investments it holds. The portfolio rules of the LGIP require that at least 50% of the portfolio mature within 93 days; not more than 25% of the portfolio may mature in over a year; and no investments may mature over three years from the date of acquisition.

Custodial credit risk

Deposits – Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Hospital will not be able to recover deposits. The Hospital does not have a deposit policy for custodial credit risk. As of June 30, 2023, of the Hospital's bank balance, approximately $250,000 was fully covered by depository insurance and approximately $3,086,553 exposed to custodial credit risk, as mitigated per ORS 295 described below. As of June 30, 2022, of the Hospital's bank balance, approximately $250,000 was fully covered by depository insurance and approximately $4,025,551 exposed to custodial credit risk, as mitigated per ORS 295 described below.

ORS 295 governs the collateralization of Oregon public funds. Oregon's Public Funds Collateralization Program (the PFCP) was created by the Office of the OST to facilitate bank depository, custodian, and public official compliance with ORS 295. Under the PFCP, which created a shared liability structure for participating depositories. These bank depositories are required to pledge collateral against any public funds' deposits in excess of deposit insurance amounts. Based on information that the banks are required to report quarterly, the PFCP calculates each depository bank's minimum collateral (maximum liability) that must be pledged with the custodian for the next quarter. The pledged securities are designated as subject to the pledge agreement between the depository bank, the custodian bank (the Federal Home Loan Bank of Des Moines, which acts as agent for the depository banks), and the OST, and are held for the benefit of the OST on behalf of the public depositors. As of June 30, 2023, the aggregate Oregon public fund collateral pledged exceeded 100% of the public fund deposits held by the Hospital's depository bank.

Concentration of credit risk – Concentration of credit risk with respect to deposits and investments is the risk of loss attributed to the magnitude of the Hospital's investment in a single issuer. As of June 30, 2023 and 2022, the Hospital's deposits and investments with the LGIP totaled $2,611,209 and $3,022,170, respectively (approximately 68.0% and 43.1% of Hospital's total deposits and investments).

Note 3 – Net Patient Service Revenue

Net patient service revenue for the year ended June 30, 2023 was comprised of the following:

	2023	2022
Charges at established rates	$ 54,233,491	$ 52,635,339
Deductions		
Medicare, OHP, and Medicaid contractual allowances	20,527,312	19,614,174
Other contractual allowances	3,385,664	2,842,834
Provision for bad debts	473,059	1,180,970
Charity allowances	350,468	207,435
Total deductions	24,736,503	23,845,413
Net patient service revenue	$ 29,496,988	$ 28,789,926

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

Medicare – The Hospital is a critical access hospital (CAH) for Medicare program purposes. Among other rules, as a CAH, the Hospital may operate no more than 25 beds. In addition, the annual average length of stay for all acute inpatients cannot exceed 96 hours per stay. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after audits of the Hospital's annual cost reports by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been audited and final settled by the Medicare fiscal intermediary through June 30, 2021.

Medicare swing-bed services are also reimbursed at cost for a CAH. The Hospital is paid at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary.

Medicaid – Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital’s Medicaid cost reports have been audited by the Oregon Health Authority through June 30, 2016.

The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

The laws and regulations governing the Medicare, OHP, and Medicaid programs are extremely complex and subject to interpretation. In addition, the Recovery Audit Contractors program requires the evaluation of certain Medicare and Medicaid claims for propriety by third-party contractors. As a result, there is at least a reasonable possibility that estimated third-party payor settlements receivable - net will change by a material amount in the near-term.

Note 4 – Patient Accounts Receivable

Patient accounts receivable consisted of the following as of June 30, 2023

	2023	2022
Receivable from patients and their insurance carriers	$ 2,073,311	$ 2,533,796
Receivable from Medicare, net	1,725,842	2,300,807
Receivable from OHP and Medicaid, net	514,845	847,358
Total patient accounts receivable	4,313,998	5,681,961
Less allowance for doubtful accounts	(761,251)	(1,010,722)
Patient accounts receivable, net	$ 3,552,747	$ 4,671,239

During the years ended June 30, 2023 and 2022, net patient service revenue decreased by approximately $1,288,000 and increased by approximately $712,000 due to a change in the prior year estimate of the collectability of patient accounts receivable as of June 30, 2023 and 2022, respectively.

Note 5 – Property Taxes Receivable

For the fiscal year ended June 30, 2023, the Hospital levied their property taxes at the rate of $3.9724 per $1,000 of assessed property value. This levy was expected to raise $2,491,097 in property tax revenues, including $370 in additional taxes and penalties. The actual levy imposed for 2022–2023 was $2,453,787. Property tax revenues are recognized when levied and are used to support general operations.

	Receivable June 30, 2022	2022-2023 Net Levy	Collections	Discounts and Adjustments Applied	Receivable June 30, 2023
2022-23	$ -	$ 2,453,787	$ (2,289,669)	$ (55,028)	$ 109,090
2021-22	71,375	-	(25,370)	(7)	45,998
2020-21	33,548	-	(15,470)	(33)	18,045
2019-20	19,113	-	(12,521)	(52)	6,540
2018-19	65,544	-	(7,266)	(53)	58,225
2017-18	10,755	-	(817)	(101)	9,837
Prior Years	30,381	-	(1,615)	(7,866)	20,900
	$ 230,716	$ 2,453,787	$ (2,352,728)	$ (63,140)	$ 268,635

For the fiscal year ended June 30, 2022, the Hospital levied their property taxes at the rate of $3.9724 per $1,000 of assessed property value. This levy was expected to raise $2,344,662 in property tax revenues, including $3,924 in additional taxes and penalties. The actual levy imposed for 2021-2022 was $2,186,153. Property tax revenues are recognized when levied, and are used to support general operations.

	Receivable June 30, 2021	2021-2022 Net Levy	Collections	Discounts and Adjustments Applied	Receivable June 30, 2022
2021-22	$ -	$ 2,186,153	$ (2,047,687)	$ (59,134)	$ 79,332
2020-21	74,967	-	(40,589)	(829)	33,549
2019-20	33,646	-	(14,125)	(408)	19,113
2018-19	75,684	-	(9,838)	(302)	65,544
2017-18	18,216	-	(7,142)	(319)	10,755
2016-17	5,654	-	-	-	5,654
Prior Years	19,252	-	(1,464)	(1,019)	16,769
	$ 227,419	$ 2,186,153	$ (2,120,845)	$ (62,011)	$ 230,716

Note 6 – Capital Assets

The following is a summary of changes in capital assets during the fiscal year ended June 30, 2023:

	July 1, 2022	Additions/ Provisions	Sales and Retirements	Transfers	June 30, 2023
Depreciable capital assets					
Cost					
Land improvements	$ 487,726	$ -	$ -	$ 59,461	$ 547,187
Buildings and improvements	8,730,803	-	-	5,268	8,736,071
Leasehold improvements	773,093	-	-	36,223	809,316
Fixed equipment	594,738	-	-	-	594,738
Movable equipment	5,475,836	217	-	254,995	5,731,048
Total depreciable capital assets	16,062,196	217	-	355,947	16,418,360
Accumulated depreciation and amortization					
Land improvements	305,757	27,440	-	-	333,197
Buildings and improvements	7,358,687	148,257	-	-	7,506,944
Leasehold improvements	134,858	59,885	-	-	194,743
Fixed equipment	442,779	24,995	-	-	467,774
Movable equipment	3,480,975	549,388	-	(12,089)	4,018,274
Total accumulated depreciation and amortization	11,723,056	809,965	-	(12,089)	12,520,932
Depreciable capital assets, net, excluding lease and SBITA assets	4,339,140	(809,748)	-	368,036	3,897,428
Nondepreciable capital assets					
Land	402,197	-	-	-	402,197
Construction in progress	115,312	304,931	(7,813)	(355,947)	56,483
Total nondepreciable capital assets	517,509	304,931	(7,813)	(355,947)	458,680
Capital assets, net, excluding lease and SBITA assets	$ 4,856,649	$ (504,817)	$ (7,813)	$ 12,089	$ 4,356,108
Lease and SBITA assets , net (Note 7)					1,750,195
Total capital, lease, and SBITA assets					$ 6,106,303

The following is a summary of changes in capital assets during the fiscal year ended June 30, 2022:

	July 1, 2021	Additions/ Provisions	Sales and Retirements	Transfers	June 30, 2022
Depreciable capital assets					
Cost					
Land improvements	$ 487,727	$ -	$ -	$ -	$ 487,727
Buildings and improvements	8,730,804	-	-	-	8,730,804
Leasehold improvements	1,207,881	-	(493,133)	58,345	773,093
Fixed equipment	533,772	-	-	60,966	594,738
Movable equipment	7,175,860	114,280	(2,647,863)	833,558	5,475,835
Total depreciable capital assets	18,136,044	114,280	(3,140,996)	952,869	16,062,197
Accumulated depreciation and amortization					
Land improvements	289,152	16,605	-	-	305,757
Buildings and improvements	7,087,013	271,674	-	-	7,358,687
Leasehold improvements	537,889	90,102	(493,133)	-	134,858
Fixed equipment	419,472	23,307	-	-	442,779
Movable equipment	5,659,136	469,704	(2,647,863)	-	3,480,977
Total accumulated depreciation and amortization	13,992,662	871,392	(3,140,996)	-	11,723,058
Depreciable capital assets, net, excluding lease and SBITA assets	4,143,382	(757,112)	-	952,869	4,339,139
Nondepreciable capital assets					
Land	402,197	-	-	-	402,197
Construction in progress	328,575	749,548	(9,942)	(952,869)	115,312
Total nondepreciable capital assets	730,772	749,548	(9,942)	(952,869)	517,509
Capital assets, net, excluding lease and SBITA assets	$ 4,874,154	$ (7,564)	$ (9,942)	$ -	$ 4,856,648
Lease and SBITA assets , net (Note 7)					1,274,929
Total capital, lease, and SBITA assets					$ 6,131,577

Depreciation expense for the years ended June 30, 2023 and 2022 was $809,965 and $871,392, respectively.

Note 7 – Leases and SBITA Assets

A summary of lease and SBITA activity for the year ended June 30, 2023 is as follows:

	July 1, 2022	Additions	Deletions and Transfers	June 30, 2023
Lease assets				
Buildings	$ 94,876	$ -	$ -	$ 94,876
Movable equipment	1,584,937	535,675	51,664	2,172,276
Total lease assets	1,679,813	535,675	51,664	2,267,152
Accumulated amortization				
Buildings	38,942	-	-	38,942
Movable equipment	636,348	436,505	(16,231)	1,056,622
Total accumulated amortization	675,290	436,505	(16,231)	1,095,564
Lease assets, net	1,004,523	99,170	67,895	1,171,588
SBITA assets	361,163	518,305	-	879,468
Total accumulated amortization	90,757	210,104	-	300,861
SBITA assets, net	270,406	308,201	-	578,607
Total lease and SBITA assets, net	$ 1,274,929	$ 407,371	$ 67,895	$ 1,750,195

A summary of lease and SBITA activity for the year ended June 30, 2022 is as follows:

	July 1, 2021	Additions	Deletions and Transfers	June 30, 2022
Lease assets				
Buildings	$ 94,876	$ -	$ -	$ 94,876
Movable equipment	965,261	619,676	-	1,584,937
Total lease assets	1,060,137	619,676	-	1,679,813
Accumulated amortization				
Buildings	-	38,942	-	38,942
Movable equipment	339,535	296,813	-	636,348
Total accumulated amortization	339,535	335,755	-	675,290
Lease assets, net	720,602	283,921	-	1,004,523
SBITA assets	301,050	60,113	-	361,163
Total accumulated amortization	-	90,757	-	90,757
SBITA assets, net	301,050	(30,644)	-	270,406
Total lease and SBITA assets, net	$ 1,021,652	$ 253,277	$ -	$ 1,274,929

Amortization expense for the years ended June 30, 2023 and 2022 was $646,609 and $426,512, respectively.

Note 8 – Lease and SBITA Liabilities

A summary of the changes in the lease and SBITA liabilities during the year ended June 30, 2023 and 2022 is as follows:

2023

	July 1, 2022	Additions	Deductions	June 30, 2023	Amounts due within one year
Lease liabilities	$ 787,006	$ 482,365	$ (292,051)	$ 977,320	$ 310,258
SBITA liabilities	215,635	639,510	(353,745)	501,400	214,677
Total lease assets	$ 1,002,641	$ 1,121,875	$ (645,796)	$ 1,478,720	$ 524,935

2022

	July 1, 2021	Additions	Deductions	June 30, 2022	Amounts due within one year
Lease liabilities	$ 768,714	$ 619,676	$ (601,384)	$ 787,006	$ 397,840
SBITA liabilities	269,818	60,113	(114,296)	215,635	93,834
Total lease assets	$ 1,038,532	$ 679,789	$ (715,680)	$ 1,002,641	$ 491,674

As of June 30, 2023, future scheduled principal and interest payments for leases and SBITAs were as follows:

	Lease Liabilities		SBITA Liabilities	
Year	Principal	Interest	Principal	Interest
2024	$ 310,257	$ 37,113	$ 214,678	$ 17,908
2025	248,379	24,943	153,545	9,425
2026	256,905	13,194	42,226	4,592
2027	93,288	6,091	43,946	2,872
2028	53,696	2,164	21,567	23,040
2029-2033	14,795	381	25,438	662
	$ 977,320	$ 83,886	$ 501,400	$ 58,499

Note 9 – Long-Term Obligations and Other Noncurrent Liabilities

A schedule of changes in the Hospital's long-term obligations and other noncurrent liabilities for the year ended June 30, 2023, is as follows:

	July 1, 2022	Additions	Reductions	June 30, 2023	Amounts Due Within One Year	Amounts Due After One Year
Long-term obligations						
Note payable to Umpqua	$ 1,392,608	$ -	$ (220,896)	$ 1,171,712	$ 226,841	$ 944,871
Note payable to the County	228,925	-	(131,440)	97,485	-	97,485
Total long-term obligations	1,621,533	-	(352,336)	1,269,197	226,841	1,042,356
Other noncurrent liabilities						
Medicare accelerated payments	1,275,588	-	(1,275,588)	-		-
Other – estimated medical malpractice claims liability (see Note 11)	420,000	400	-	420,400	-	420,400
Total other noncurrent liabilities	1,695,588	400	(1,275,588)	420,400	-	420,400
Total long-term obligations and other noncurrent liabilities, excluding lease and SBITA liabilities	$ 3,317,121	$ 400	$ (1,627,924)	1,689,597	226,841	1,462,756
Lease and SBITA liabilities (Note 8)				1,478,720	524,935	953,785
Total long-term obligations including lease and SBITA liabilities and medicare accelerated payments				$ 3,168,317	$ 751,776	$ 2,416,541

A schedule of changes in the Hospital's long-term obligations and other noncurrent liabilities for the year ended June 30, 2022, is as follows:

	July 1, 2021	Additions	Reductions	June 30, 2022	Amounts Due Within One Year	Amounts Due After One Year
Long-term obligations						
Note payable to Umpqua	$ 1,607,688	$ -	$ (215,080)	$ 1,392,608	$ 220,896	$ 1,171,712
Note payable to the County	453,440	-	(224,515)	228,925	-	228,925
Total long-term obligations	2,061,128	-	(439,595)	1,621,533	220,896	1,400,637
Other noncurrent liabilities						
Medicare accelerated payments	3,604,143	-	(2,328,555)	1,275,588	1,275,588	-
PPP loans payable	2,006,521	3,123	(2,009,644)	-	-	-
Other – estimated medical malpractice claims liability (see Note 11)	420,000	-	-	420,000	-	420,000
Total other noncurrent liabilities	6,030,664	3,123	(4,338,199)	1,695,588	1,275,588	420,000
Total long-term obligations and other noncurrent liabilities, excluding lease and SBITA liabilities	$ 8,091,792	$ 3,123	$ (4,777,794)	3,317,121	1,496,484	1,820,637
Lease and SBITA liabilities (Note 8)				1,002,641	491,674	510,967
Total long-term obligations including lease and SBITA liabilities and medicare accelerated payments				$ 4,319,762	$ 1,988,158	$ 2,331,604

In May 2013, the Hospital entered into a loan agreement (the Umpqua Loan Agreement) with Umpqua to borrow $3,338,800 to refinance certain prior debt. Borrowings under the Umpqua Loan Agreement are secured by substantially all assets of the Hospital. The Hospital is required to make payments in monthly installments of $21,319 (with fixed interest at 2.62%) through June 2028, at which time all remaining outstanding principal and accrued interest is due.

The Umpqua Loan Agreement may be prepaid in whole or in part, with a prepayment penalty of 1%. However, no prepayment penalty will be incurred by the Hospital if the source of prepayment is cash generated by the Hospital rather than borrowings from another lender. The Umpqua Loan Agreement requires the Hospital to maintain a Debt Service Reserve Fund account of approximately $334,000 and to meet a financial ratio covenant. As of June 30, 2023 and 2022, Umpqua has indicated that the Debt Service Reserve Fund could be maintained within the LGIP account.

In the event of a default by the Hospital, such as failing to make payments on the Umpqua Loan Agreement as they are due or failing to comply with the required financial and operating covenants, all amounts due under the Umpqua Loan Agreement may, at Umpqua's discretion, become immediately due and payable by the Hospital.

As of June 30, 2023, scheduled principal and interest repayments on the Umpqua Loan Agreement were as follows:

		Principal	Interest
Year Ended June 30,	2024	$ 226,841	$ 33,202
	2025	232,931	26,270
	2026	239,192	19,123
	2027	245,621	11,753
	2028	227,127	4,154
	Total	$ 1,171,712	$ 94,502

In April 2006, the Hospital entered into a loan agreement (the County Loan Agreement) with the County to borrow up to $850,000 to assist an unrelated third-party (the Developer) in developing certain home sites in a subdivision (the Subdivision) in Reedsport, Oregon. In connection with this development, certain roads and infrastructure were built so that an assisted living facility could potentially be constructed on some undeveloped land that was donated to the Hospital by the Developer. Borrowings under the County Loan Agreement were to accrue interest and are secured by the Subdivision, as well as the underlying land. Principal and interest amounts were due based on the net sales proceeds of home sites sold by the Developer (i.e., as sales were made, the proceeds, net of closing costs and realtor fees, were to be remitted by the Developer to the Hospital and then to the County and applied against outstanding accrued interest and borrowings under the County Loan Agreement). Any remaining unpaid amounts owed under the County Loan Agreement were originally due and payable in April 2021. In conjunction with entering into the County Loan Agreement, the Hospital entered into a development agreement with the Developer, whereby the Hospital loaned the developer $1,050,000, the Developer agreed to remit all home site net sales proceeds to the Hospital until all outstanding borrowings under the County Loan Agreement (including interest) have been repaid, and the Developer granted the Hospital a security interest in the Subdivision. Any remaining unpaid amounts owed by the Developer to the Hospital were originally due and payable in April 2021. During the year ended June 30, 2018, the County Loan Agreement was modified (the Modification) such that if the Hospital repays the County $612,000 by May 30, 2028, the debt to the County will be deemed to be fully repaid. If $612,000 is not paid by the Hospital to the County by May 30, 2028, the amount owed to the County would be approximately $1,134,000 (approximately $845,000 originally loaned from the County to the Hospital plus accrued interest as of June 30, 2017 of approximately $289,000) (as reduced by any subsequent payments). Also, under the Modification, interest is no longer being charged by the County under the County Loan Agreement. Similarly, the Hospital entered into a modification of its agreement with the Developer such that if the Developer pays the Hospital $612,000 by May 30, 2028, the receivable from the Developer will be deemed to be fully repaid. Also, if the Developer does not pay the Hospital $612,000 by May 30, 2028, this modification will be considered to be null and void, and the Developer would owe the Hospital approximately $1,134,000 (as reduced by any subsequent payments).

During the year ended June 30, 2023, four home sites were sold, and accordingly, the Developer remitted approximately $131,000 to the Hospital. During the year ended June 30, 2022, five home sites were sold, and accordingly, the Developer remitted approximately $184,000 to the Hospital. In addition, during the years ended June 30, 2023, and 2022, the Developer paid the Hospital approximately $0 and, $41,000 which represented the proceeds of certain tax refunds, respectively. The Hospital remitted such amounts to the County, reducing the receivable from the Developer and the payable to the County to approximately $97,000 and $229,000, respectively. In the accompanying statement of net position, amounts due from the Developer are included in other assets, and amounts due to the County are included in long-term obligations. In the event of a default by the Hospital, all amounts due under the Modification may, at the County's discretion, become immediately due and payable by the Hospital.

Note 10 – Defined Contribution Retirement Plans

The Hospital has a defined contribution retirement plan (Lower Umpqua Hospital District Employees' Savings Plan) (the Original Plan), which covers substantially all of the Hospital's employees who have reached age 21 and have completed one year of employment with at least 1,000 hours of service. In July 2017, the Hospital adopted a new defined contribution retirement plan (Lower Umpqua Hospital District 403(b) Savings Plan) (the New Plan) with the same eligibility requirements of the Original Plan, and over time, the account balances of the Original Plan are being transferred to the New Plan, and eventually the Original Plan will be terminated. The Original Plan and the New Plan are collectively referred to as "the Plans."

Employees may contribute a percentage of their compensation up to certain limits specified by the Code. The Hospital's contributions are discretionary. During the year ended June 30, 2023 and 2022, the Hospital contributed 5% and 5% of eligible employees' compensation to the Plans, respectively. Participants are immediately vested in their own contributions. Participants are not vested in any of the Hospital's contributions until they have attained three years of service, at which time they become 100% vested. The Plans are administered by the Hospital and can be amended or terminated by the Hospital at any time (subject to the Hospital's union contracts).

Aggregate participant and Hospital contributions to the Plans during the year ended June 30, 2023 and 2022 were approximately $1,241,000 and $1,127,000, respectively.

Note 11 – Commitments and Contingencies

Compliance with laws and regulations – The Hospital is subject to many complex federal, state, and local laws and regulations. Compliance with these laws and regulations is subject to government review and interpretation, and unknown or unasserted regulatory actions. Government activity with respect to investigations and allegations regarding possible violations of these laws and regulations by health care providers, including those related to medical necessity, coding, and billing for services, has increased significantly. Violations of these laws can result in large fines and penalties, sanctions on providing future services, and repayment of past patient service revenues.

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

Medical malpractice insurance – The Hospital has a claims-made basis medical malpractice insurance policy. Under this policy, medical malpractice claims reported by the Hospital to the insurance company during the policy period are covered; however, any medical malpractice claim that has been incurred but not reported (IBNR) to the insurance company during the policy period is not covered. The Hospital recorded an estimated liability for IBNR medical malpractice claims of $420,000 as of June 30, 2023 and 2022.

Significant contract – The Hospital had an agreement with EmCare, Inc. d/b/a Envision Physician Services (Envision), under which Envision provided emergency physician coverage in the Hospital's emergency department 24 hours a day, seven days a week. The agreement with Envision automatically renewed annually each April 1 unless cancelled by either party. The Hospital agreed to pay a monthly administrative fee for this service, based on the monthly patient volume in the emergency department. Under terms of the agreement with Envision, the fee chart was subject to annual negotiation and adjustment in an amount necessary to maintain compensation to Envision at "fair market value." During the year ended June 30, 2023 and 2022, the Hospital incurred expense of approximately $1,775,000 and $1,570,000, under the Envision agreement. Effective August 1, 2023, the Hospital terminated the agreement with Envision and entered into a three-year agreement for the same services with CEP America, LLC, dba Vituity.

During the year ended June 30, 2023, the Hospital incurred expense of approximately $1,628,000, under the CEP America, LLC, dba Vituity agreement.

Collective bargaining agreement (CBA) – As of June 30, 2023, approximately 52% and 20% of the Hospital's employees are covered under CBAs with the United Food and Commercial Workers union (the UFCW) and the Teamsters Local 206 union (the Teamsters), respectively. As of June 30, 2022, approximately 53% and 15% of the Hospital's employees are covered under CBAs with the United Food and Commercial Workers union (the UFCW) and the Teamsters Local 206 union (the Teamsters), respectively. The CBA with the UFCW expires on November 30, 2023, and the CBA with the Teamsters expires on May 31, 2024.

Supplementary Information

Lower Umpqua Hospital District
dba Lower Umpqua Hospital
Schedule of Revenue Expenditures and Changes in Net Position – Budget and Actual
(Non-GAAP Budgetary Basis)
Year Ended June 30, 2023

	Revised/ Final Budget	Actual	Variance
OPERATING REVENUE			
Net patient service revenue	$ 33,260,787	$ 29,496,988	$ (3,763,799)
Other revenue	1,995,729	2,893,449	897,720
Total operating revenue	35,256,516	32,390,437	(2,866,079)
EXPENDITURES			
Personal services	20,880,973	20,463,349	(417,624)
Materials and services	15,263,798	15,040,446	(223,352)
Capital outlay	630,809	412,647	(218,162)
Debt service	406,535	1,167,523	760,988
Total expenditures	37,182,115	37,083,965	(98,150)
OPERATING LOSS	(1,925,599)	(4,693,528)	(2,767,929)
NONOPERATING REVENUE (EXPENSE)			
Property and other county taxes, net	2,150,000	2,372,421	222,421
Government stimulus income	-	-	-
Gain on PPP loan extinguishment	-	-	-
Noncapital grants	-	226,566	226,566
Investment income	20,000	112,688	92,688
Other, net	5,599	(33,630)	(39,229)
Total nonoperating revenue, net	2,175,599	2,678,045	502,446
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	250,000	(2,015,483)	(2,265,483)
Capital contributions	-	-	-
Excess (deficit) of revenue over expenditures	250,000	(2,015,483)	(2,265,483)
Other	-	(62,025)	(62,025)
Increase (Decrease) in Net Position	250,000	(2,077,508)	(2,327,508)
NET POSITION, beginning of year	8,995,236	11,821,958	2,826,722
NET POSITION, June 30, 2023	$ 9,245,236	$ 9,744,450	$ 499,214

Lower Umpqua Hospital District
dba Lower Umpqua Hospital
Schedule of Revenue Expenditures and Changes in Net Position – Budget and Actual
(Non-GAAP Budgetary Basis)
Year Ended June 30, 2022

	Revised/ Final Budget	Actual	Variance
OPERATING REVENUE			
Net patient service revenue	$ 26,065,609	$ 28,789,926	$ 2,724,317
Other revenue	3,055,000	2,015,636	(1,039,364)
Total operating revenue	29,120,609	30,805,562	1,684,953
EXPENDITURES			
Personal services	18,601,551	19,792,330	1,190,779
Materials and services	12,843,554	14,445,600	1,602,046
Capital outlay	848,313	863,828	15,515
Debt service	292,000	1,307,489	1,015,489
Total expenditures	32,585,418	36,409,247	3,823,829
OPERATING LOSS	(3,464,809)	(5,603,685)	(2,138,876)
NONOPERATING REVENUE (EXPENSE)			
` Property and other county taxes, net	1,995,000	2,116,833	121,833
Government stimulus income	-	1,738,375	1,738,375
Gain on PPP loan extinguishment	-	2,009,644	2,009,644
Noncapital grants	-	497,322	497,322
Investment income	-	29,113	29,113
Other, net	(57,000)	(41,593)	15,407
Total nonoperating revenue, net	1,938,000	6,349,694	4,411,694
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(1,526,809)	746,009	2,272,818
Capital contributions	-	261,538	261,538
Excess (deficit) of revenue over expenditures	(1,526,809)	1,007,547	2,534,356
Other	428,833	721,199	292,366
Increase (Decrease) in Net Position	(1,097,976)	1,728,746	2,826,722
NET POSITION, beginning of year	10,093,212	10,093,212	-
NET POSITION, June 30, 2022	$ 8,995,236	$ 11,821,958	$ 2,826,722

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Report of Independent Auditors 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*

The Board of Directors
Lower Umpqua Hospital District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Lower Umpqua Hospital District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Lower Umpqua Hospital's basic financial statements, and have issued our report thereon dated November 28, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lower Umpqua Hospital District'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 Lower Umpqua Hospital District's internal control. Accordingly, we do not express an opinion on the effectiveness of Lower Umpqua Hospital District's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lower Umpqua Hospital District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss Adams LLP

Portland, Oregon
November 28, 2023

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Report of Independent Auditors Required by Oregon State Regulations

The Board of Directors
Lower Umpqua Hospital District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements of Lower Umpqua Hospital District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Lower Umpqua Hospital District's basic financial statements, and have issued our report thereon dated November 28, 2023.

Compliance

As part of obtaining reasonable assurance about whether the Lower Umpqua Hospital District's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including provisions of Oregon Revised Statutes (ORS) as specified in Oregon Administrative Rules (OAR) 162-010-0000 to 162-010-0330, of the Minimum Standards for Audits of Oregon Municipal Corporations, 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.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to, the following:

- Accounting records and internal control
- Public fund deposits
- Indebtedness
- Budget
- Insurance and fidelity bonds
- Programs funded from outside sources
- Investments
- Public contracts and purchasing

In connection with our testing, nothing came to our attention that caused us to believe Lower Umpqua Hospital District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of ORS as specified in OAR 162-010-0000 through 162-010-0330 of the Minimum Standards for Audits of Oregon Municipal Corporations.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Lower Umpqua Hospital District'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 Lower Umpqua Hospital District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lower Umpqua Hospital District's internal control.

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

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the Board of Directors and management of Lower Umpqua Hospital District and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

Tony Andrade, Partner for
Moss Adams LLP
Portland, Oregon
November 28, 2023

Lower Umpqua Hospital District doing business as Lower Umpqua Hospital

Financial Statements and Independent Auditors' Reports

June 30, 2024 and 2023

DZA

ACCOUNTANTS | ADVISORS

Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
Table of Contents

INTRODUCTORY SECTION

Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
Governing Board and Principal Employee
June 30, 2024

Members of the Board of Directors as of June 30, 2024:

Ron Kreskey 323 Bittersweet Court Reedsport, OR 97467	Board Chair
Cheryl Young 3539 South Smith River Rd Reedsport, OR 97467	Vice Chair
Brenda Fraley 900 Ranch Road Reedsport, OR 97467	Director
Leon Bridge 2700 Ridgeway Drive Reedsport, OR 97467	Treasurer
Karen Bedard 2150 Fir Avenue Reedsport, OR 97467	Secretary

Lower Umpqua Hospital District doing business as Lower Umpqua Hospital has designated the following registered agent and office as of July 1, 2023.

Registered agent	Melissa Cribbins
Registered office	Lower Umpqua Hospital 600 Ranch Road Reedsport, OR 97467

FINANCIAL SECTION

ACCOUNTANTS | ADVISORS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
Reedsport, Oregon

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Lower Umpqua Hospital District doing business as Lower Umpqua Hospital (the Hospital) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital as of June 30, 2024, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hospital, and to meet our other ethical responsibilities, in accordance with the 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 audit opinion.

Prior Period Financial Statements

The financial statements of the Hospital for the year ended June 30, 2023, were audited by Moss Adams, LLP, who expressed an unmodified opinion on those statements on November 28, 2023.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, 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 Hospital's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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, including omissions, 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 Hospital'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 Hospital'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-8 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of resources and expenditures – budget vs. actual 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2024, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters for the year ended June 30, 2024. The purpose of this 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 Hospital's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

Other Reporting Required by Regulatory Requirements

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated October 17, 2024, on our consideration of the Hospital's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

DZA PLLC

Spokane Valley, Washington
October 17, 2024

Introduction

Management's discussion and analysis of Lower Umpqua Hospital District, doing business as Lower Umpqua Hospital's (the Hospital), financial performance provides an overview of the Hospital's financial activities for the fiscal years ended June 30, 2024, 2023, and 2022. Please read it in conjunction with the Hospital's financial statements that follow.

The Hospital is a governmental entity organized under the laws of the state of Oregon with five publicly elected board members who serve four-year terms. The Hospital levies and collects property taxes from property owners within the District. The Governmental Accounting Standards Board prescribes the financial reporting format for the Hospital. The state of Oregon's Auditor's Office maintains copies of the audited financial statements.

Financial Highlights

For the fiscal year ended June 30, 2024, the Hospital improved its position significantly. There were a number of programs put in place during the fiscal year that improved volumes and controlled expenditures.

Some key financial highlights are as follows:

- The Hospital reported operating losses of approximately $2.8 million, $4.4 million, and $4.2 million in fiscal years 2024, 2023 and 2022, respectively.
- Operating revenue of $36.7 and $32.5 million in 2024 and 2023 reflected increases of $4.2 and $1.2 million, respectively.
- Operating expense of $39.5 and $36.8 million in 2024 and 2023 reflected increases of $3.1 and $1.3 million, respectively.
- Non operating revenue of $5.7 and $3.0 million in 2024 and 2023 reflected an increase of approximately $2.7 million and a decrease of $2.7 million, respectively. The increase in 2024 primarily relates to the Hospital submission for the CARES Act Employer Retention Credit. The decrease in 2023 reflects no Covid Stimulus relief recognition during the year as opposed to $3.7 million recognized in 2022.
- The Hospital's net position in 2024 and 2023 of $12.7 and $9.7 million reflects an increase of $3.0 million in 2024, contrasted with a decrease of $2.1 million during fiscal year 2023.

Overview of the Financial Statements

The Hospital's financial statements consist of three statements - the statement of net position, the statement of revenues, expenses, and changes in net position, and a statement of cash flows. These financial statements and related notes provide information about the financial activities of the Hospital.

The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position

The statement of net position and the statement of revenues, expenses, and changes in net position report information about the Hospital's resources and its activities in a way that helps the user decide if the Hospital as a whole is better or worse off as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Hospital's net position and changes in net position from the prior year. You can think of the Hospital's net position, the difference between assets and liabilities, as one way to measure the Hospital's financial health or financial position. Over time, increases or decreases in the Hospital's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non financial factors, such as changes in the Hospital's patient base and measures of the quality of service that it provides to the community, as well as local economic factors, to assess the overall health of the Hospital.

The Statement of Cash Flows

This statement reports cash receipts, cash payments, and net changes in cash and cash equivalents resulting from operating activities, noncapital financing activities, capital and related financing activities, and investing activities. It provides answers to such questions as "Where did cash come from?" "What was cash used for?" and "What was the change in the cash balance during the reporting period?"

Financial Analysis of the Hospital

The Hospital's net position, the difference between its assets and liabilities as reported in the statement of net position, is a way to measure financial health or financial position. Over time, sustained increases or decreases in the Hospital's net position are one indicator of whether its financial health is improving or deteriorating. However, other nonfinancial factors such as changes in economic condition, population growth, and new or revised government regulations and legislation should also be considered.

Table 1: Statements of Net Position:

	2024	2023	2022
Assets			
Current assets	**$ 13,175,967**	$ 9,547,910	$ 13,242,174
Capital assets, net	**5,309,124**	6,106,303	6,131,577
Other noncurrent assets	**402,282**	402,514	391,634
Total assets	**$ 18,887,373**	$ 16,056,727	$ 19,765,385
Liabilities			
Current liabilities	**$ 4,775,396**	$ 3,895,725	$ 6,103,497
Noncurrent liabilities	**1,451,200**	2,416,552	1,839,930
Total liabilities	**6,226,596**	6,312,277	7,943,427
Net position			
Net investment in capital assets	**3,120,639**	3,358,386	3,736,328
Restricted	**333,880**	333,880	333,880
Unrestricted	**9,206,258**	6,052,184	7,751,750
Total net position	**12,660,777**	9,744,450	11,821,958
Total liabilities and net position	**$ 18,887,373**	**$ 16,056,727**	**$ 19,765,385**

Table 2: Operating Results and Changes in Net Position

	2024	2023	2022
Operating revenues			
Net patient service revenue	**$ 31,545,136**	$ 28,601,409	$ 28,789,926
Other operating revenue	**5,133,325**	3,865,600	2,512,958
Total operating revenues	**36,678,461**	32,467,009	31,302,884
Operating expenses			
Salaries, wages, and benefits	**21,755,598**	20,463,349	19,792,330
Professional fees	**8,186,949**	7,642,215	7,475,332
Depreciation and amortization	**1,437,106**	1,456,574	1,297,904
Supplies and other operating expenses	**8,085,496**	7,282,069	6,970,268
Total operating expenses	**39,465,149**	36,844,207	35,535,834
Operating loss	**(2,786,688)**	(4,377,198)	(4,232,950)
Nonoperating revenues (expenses)			
Taxation	**2,453,417**	2,372,421	2,116,833
CARES Act Employee Retention Credit	**3,887,164**	-	-
CARES Act Employee Retention Credit professional fees	**(583,075)**	-	-
CARES Act Provider Relief Fund	**-**	-	1,738,375
CARES Act Paycheck Protection Program loan forgiveness	**-**	-	2,009,644
Interest income	**141,115**	112,688	29,113
Interest expense	**(195,606)**	(185,419)	(152,214)
Other, net	**-**	-	(41,593)
Total nonoperating revenues, net	**5,703,015**	2,299,690	5,700,158
Change in net position before capital contributions	**2,916,327**	(2,077,508)	1,467,208
Capital contributions	**-**	-	261,538
Change in net position	**2,916,327**	(2,077,508)	1,728,746
Net position, beginning of year	**9,744,450**	11,821,958	10,093,212
Net position, end of year	**$ 12,660,777**	$ 9,744,450	$ 11,821,958

Contacting the Hospital's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. If you have questions about this report or need additional information, contact the Hospital's Chief Financial Officer's Office at Lower Umpqua Hospital District doing business as Lower Umpqua Hospital, 600 Ranch Road, Reedsport, OR 97467.

FINANCIAL STATEMENTS

Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
Statements of Net Position
June 30, 2024 and 2023

ASSETS	2024	2023
Current assets		
Cash and cash equivalents	**$ 1,218,272**	$ 3,388,144
Receivables:		
Patient accounts, net	**5,011,298**	3,480,581
Estimated third-party payor settlements	**874,000**	442,398
Pharmacy	**294,687**	382,204
Property taxes	**330,215**	268,635
Provider tax	**258,979**	226,615
Other	**202,617**	14,355
CARES Act Employee Retention Credit	**3,887,164**	-
Inventories	**718,931**	844,695
Prepaid expenses and other	**379,804**	500,283
Total current assets	**13,175,967**	9,547,910
Noncurrent assets		
Restricted noncurrent cash and cash equivalents	**402,282**	402,514
Capital assets, net of accumulated depreciation and amortization	**5,309,124**	6,106,303
Total noncurrent assets	**5,711,406**	6,508,817
Total assets	**$ 18,887,373**	$ 16,056,727

See accompanying notes to financial statements.

Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
Statements of Net Position (Continued)
June 30, 2024 and 2023

LIABILITIES AND NET POSITION	2024	2023
Current liabilities		
Accounts payable	**$ 1,067,401**	$ 1,034,573
Accrued compensation and related liabilities	**1,773,656**	1,534,842
CARES Act Employee Retention Credit professional fees	**583,075**	-
Estimated third-party payor settlements	**355,000**	347,919
Provider tax	**258,979**	226,615
Current maturities of lease and subscription liabilities	**504,347**	524,935
Current maturities of long-term debt	**232,938**	226,841
Total current liabilities	**4,775,396**	3,895,725
Noncurrent liabilities		
Lease and subscription liabilities, net of current maturities	**641,701**	953,785
Long-term debt, net of current maturities	**809,499**	1,042,356
Other noncurrent liabilities	**-**	420,411
Total noncurrent liabilities	**1,451,200**	2,416,552
Total liabilities	**6,226,596**	6,312,277
Net position		
Net investment in capital assets	**3,120,639**	3,358,386
Restricted	**333,880**	333,880
Unrestricted	**9,206,258**	6,052,184
Total net position	**12,660,777**	9,744,450
Total liabilities and net position	**$ 18,887,373**	$ 16,056,727

See accompanying notes to financial statements.

Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2024 and 2023

	2024	2023
Operating revenues		
Net patient service revenue	**$ 31,545,136**	$ 28,601,409
Other	**686,530**	486,582
Pharmacy	**3,300,407**	2,256,867
Provider tax revenue	**1,000,231**	895,585
Grants	**146,157**	226,566
Total operating revenues	**36,678,461**	32,467,009
Operating expenses		
Salaries and wages	**16,231,814**	15,219,286
Employee benefits	**5,523,784**	5,244,063
Professional fees and purchased services	**8,186,949**	7,642,215
Supplies	**5,048,209**	3,922,894
Utilities	**341,397**	391,249
Repairs and maintenance	**395,898**	350,414
Depreciation and amortization	**1,437,106**	1,456,574
Provider tax	**1,000,231**	895,585
Rent	**182,899**	184,217
Other	**1,116,862**	1,537,710
Total operating expenses	**39,465,149**	36,844,207
Operating loss	**(2,786,688)**	(4,377,198)
Nonoperating revenues (expenses)		
Property tax	**2,453,417**	2,372,421
CARES Act Employee Retention Credit	**3,887,164**	-
CARES Act Employee Retention Credit professional fees	**(583,075)**	-
Interest income	**141,115**	112,688
Interest expense	**(195,606)**	(185,419)
Total nonoperating revenues, net	**5,703,015**	2,299,690
Change in net position	**2,916,327**	(2,077,508)
Net position, beginning of year	**9,744,450**	11,821,958
Net position, end of year	**$ 12,660,777**	$ 9,744,450

See accompanying notes to financial statements.

Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	2024	2023
Change in Cash and Cash Equivalents		
Cash flows from operating activities		
Receipts from and on behalf of patients	**$ 29,647,106**	$ 29,351,812
Receipts from other revenue	**498,268**	753,533
Receipts from pharmacy revenue	**3,387,924**	2,047,201
Receipts from grants	**146,157**	226,566
Payments to or on behalf of employees	**(21,516,784)**	(20,424,291)
Payments to suppliers and contractors	**(15,470,751)**	(14,817,973)
Net cash from operating activities	**(3,308,080)**	(2,863,152)
Cash flows from noncapital financing activities		
Property taxes	**2,391,837**	2,334,502
Cash flows from capital and related financing activities		
Principal paid on long-term debt and other noncurrent liabilities	**(792,695)**	(2,285,810)
Interest paid	**(195,606)**	(185,419)
Purchase of capital assets	**(406,675)**	(305,148)
Proceeds from sale of capital assets	**-**	7,813
Net cash from capital and related financing activities	**(1,394,976)**	(2,768,564)
Cash flows from investing activities		
Interest received	**141,115**	112,688
Net change in cash and cash equivalents	**(2,170,104)**	(3,184,526)
Cash and cash equivalents, beginning of year	**3,790,658**	6,975,184
Cash and cash equivalents, end of year	**$ 1,620,554**	$ 3,790,658

See accompanying notes to financial statements.

Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
Statements of Cash Flows (Continued)
Years Ended June 30, 2024 and 2023

	2024	2023
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Cash and cash equivalents	**$ 1,218,272**	$ 3,388,144
Restricted noncurrent cash and investments	**402,282**	402,514
Total cash and cash equivalents	**$ 1,620,554**	$ 3,790,658
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	**$ (2,786,688)**	$ (4,377,198)
Adjustments to reconcile operating loss to net cash from operating activities		
Depreciation and amortization	**1,437,106**	1,456,574
Provision for bad debts	**603,927**	614,531
(Increase) decrease in assets:		
Receivables:		
Patient accounts, net	**(2,134,644)**	474,754
Pharmacy	**87,517**	(209,666)
Estimated third-party payor settlements	**(431,602)**	(338,882)
Provider tax receivable	**(32,364)**	(54,220)
Other	**(131,054)**	241,747
Inventories	**125,764**	(77,915)
Prepaid expenses	**63,271**	(166,501)
Increase (decrease) in liabilities:		
Accounts payable	**94,165**	(479,471)
Accrued compensation and related liabilities	**238,814**	39,058
Estimated third-party payor settlements	**7,081**	-
Medical malpractice	**(420,400)**	-
Provider tax payable	**32,364**	54,220
Other	**(61,337)**	(40,183)
Net cash from operating activities	**$ (3,308,080)**	$ (2,863,152)

Noncash Capital and Related Financing Activities

During the year ended June 30, 2023, the Hospital recorded $535,675 of right-of-use assets and lease liabilities for lease agreements during the year. The Hospital also recorded $518,305 of subscription assets and liabilities from the implementation of Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*.

See accompanying notes to financial statements.

1. Reporting Entity and Summary of Significant Accounting Policies:

a. Reporting Entity

Lower Umpqua Hospital District owns and operates Lower Umpqua Hospital (the Hospital), a licensed 20-bed critical access hospital and medical clinics. The Hospital provides healthcare services to patients in and around Reedsport, Oregon. The Hospital's services include acute care hospital, surgery, emergency department, and related clinic and ancillary services (laboratory, radiology, etc.).

The Hospital also has dual status as a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code. The Hospital is exempt from federal income tax.

The Hospital was incorporated as a municipal corporation in October 1954, and the Hospital operates under the laws of the state of Oregon for Oregon Health Districts as provided by Oregon Revised Statutes (ORS) 440.315-440.410. It is governed by an elected five-member board.

For financial reporting purposes, the Hospital has included all funds, organizations, agencies, boards, commissions, and authorities. The Hospital has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Hospital are such that the exclusion would cause the Hospital's financial situation to be misleading or incomplete.

Related organization – The Lower Umpqua Hospital Foundation, Inc. (the Foundation) is a separate nonprofit corporation. The Foundation was organized to solicit and accept charitable contributions in order to provide support to the Hospital. The Foundation is not material to the Hospital and is therefore not reported as a component unit of the Hospital.

b. Summary of Significant Accounting Policies

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

Enterprise fund accounting – The Hospital's accounting policies conform to accounting principles generally accepted in the United States of America as applicable to proprietary funds of governments. The Hospital uses enterprise fund accounting. Revenue and expenses are recognized on the accrual basis using the economic resources measurement focus.

Cash and cash equivalents – Cash and cash equivalents include highly liquid investments with original maturity dates of three months or less.

Prepaid expenses – Prepaid expenses are expenses paid during the year relating to expenses incurred in future periods. Prepaid expenses are amortized over the expected benefit period of the related expense. Prepaid expenses include prepaid insurance and other expenses.

Inventories – Inventories are stated at cost on the first-in, first-out method. Inventories consist of pharmaceutical, medical-surgical, and other supplies used in the operation of the Hospital.

1. Reporting Entity and Summary of Significant Accounting Policies (continued):

b. Summary of Significant Accounting Policies (continued)

Budgets – The Hospital is required to prepare and adopt an annual operating budget in accordance with the state of Oregon Health District Law. This budget is presented differently, in some respects, from generally accepted accounting principles (GAAP). The differences are primarily that nonoperating transactions such as interest income, interest expense, and contributions are considered operating expenses and revenues for budgetary purposes.

Restricted cash and cash equivalents – Restricted investments consist of amounts restricted for debt reserves. These are cash deposits in the Oregon State Treasury Local Government Investment Pool (LGIP), which are required to be maintained in a debt service reserve account by the Hospital's loan agreement with the Hospital. As of June 30, 2024 and 2023, the noncurrent restricted cash and cash investments were $402,282 and $402,514, respectively.

Compensated absences – The Hospital's employees earn paid time off (PTO) at varying rates, depending on years of service. Employees can accumulate unused PTO from one calendar year to the next with a maximum of 360 hours. All unused PTO is paid to employees in cash upon their termination of employment from the Hospital, if proper notice has been given. All staff covered by Teamsters Local 206 union can earn up to 450 hours. All staff covered by United Food and Commercial Workers union Local 555 can earn up to 360 hours. In addition, upon request, the Hospital has the discretion to cash out a current employee's unused PTO at the end of October down to 40 hours in December.

Net position – Net position of the Hospital is classified into three components. *Net investment in capital assets* consists of capital assets net of accumulated depreciation and reduced by the balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net position* is noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital. *Unrestricted net position* is the remaining net position that does not meet the definition of *net investment in capital assets* or *restricted net position*.

Restricted resources – When the Hospital has both restricted and unrestricted resources available to finance a particular program, it is the Hospital's policy to use restricted resources before unrestricted resources.

Operating revenues and expenses – The Hospital's statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions, including grants for specific operating activities associated with providing healthcare services — the Hospital's principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs.

1. Reporting Entity and Summary of Significant Accounting Policies (continued):

b. Summary of Significant Accounting Policies (continued)

Grants and contributions – From time to time, the Hospital receives grants from government entities and others as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts restricted for capital acquisitions are reported after nonoperating revenues and expenses. Grants that are restricted for specific projects or purposes related to the Hospital's operating activities are reported as operating revenue. Grants that are used to subsidize operating deficits are reported as nonoperating revenue. Contributions, except for capital contributions, are reported as nonoperating revenue.

Oregon provider tax – The Hospital pays a provider tax to cover the state's share of the Medicaid program and expects to receive a reimbursement for the same amount.

Reclassifications – Certain items included in the accompanying 2023 financial statements have been reclassified to conform to the 2024 presentation, with no effect on the previously reported change in net position.

Subsequent events – The Hospital has evaluated subsequent events through October 17, 2024, the date on which the financial statements were available to be issued.

2. Bank Deposits and Investments:

As of June 30, 2024 and 2023, the Hospital had deposits invested in various financial institutions in the form of operating cash and cash equivalents in the amounts of $1,218,272 and $1,157,077, respectively. The Hospital is required by ORS Chapter 295 (ORS 295) to maintain any deposit accounts in financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) coverage at certain "qualified" financial institutions. As of and for the years ended June 30, 2024 and 2023, all of the Hospital's deposits in financial institutions in excess of FDIC coverage were maintained at "qualified" financial institutions.

ORS 295 governs the collateralization of Oregon public funds. Oregon's Public Funds Collateralization Program (the PFCP) was created by the Oregon State Treasurer (the OST) to facilitate bank depository, custodian, and public official compliance with ORS 295. Under the PFCP, which created a shared liability structure for participating depositories, these bank depositories are required to pledge collateral against any public funds' deposits in excess of deposit insurance amounts. Based on information the banks are required to report quarterly, the PFCP calculates each depository bank's minimum collateral (maximum liability) that must be pledged with the custodian for the next quarter. The OST can require pledged collateral to be 10 percent to 110 percent of the bank depository's uninsured public fund deposits. Federal Home Loan Bank is the agent of the depository. The pledged securities are designated as subject to the pledge agreement between the depository bank, Federal Home Loan Bank (the custodian bank), and the OST, and are held for the benefit of the OST on behalf of the public depositors.

2. Bank Deposits and Investments (continued):

ORS Chapter 294 authorizes municipal governments to invest their funds in a variety of investments including federal, state, and local government debt obligations; time deposit accounts, certificates of deposit, and savings accounts in qualified public depositories; the State of Oregon local government investment pool; and certain other investments. The Hospital's investment policy does not further limit the types of investments the Hospital may invest in.

Local Government Investment Pool – The cash and cash equivalents recorded in the LGIP is included in Oregon Short-Term Fund (OSTF) and the LGIP is not subject to fair value measurement under GASB 72 as the OSTF is an external government investment pool and the pool is not registered with the Securities and Exchange Commission. The Oregon Investment Council, with advice from the Treasurer and Oregon Short-Term Fund Board, adopts the policy for how the money held in the OSTF can be invested. As of June 30, 2024, the policy limited investments to Grade "A" investments including but not limited to U.S. Treasury, U.S. Agencies, corporate bonds, commercial paper, and foreign governments. A portion of the assets invested in the LGIP at June 30, 2024 and 2023, are included in cash and cash equivalents on the statements of net position. As of June 30, 2024 and 2023, the Hospital had $412,268 and $2,611,209 invested in the LGIP, respectively.

Interest rate risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Hospital's exposure to interest rate risk is minimal as the majority of its investments have a maturity of less than one year.

Credit risk – Credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization, such as Moody's Investor Service, Inc. The Hospital's investments in such obligations are in government investment funds, certificates of deposit, and money markets. The Hospital believes there is minimal credit risk with these obligations at this time. The LGIP is not rated, and the investments in the LGIP are not subject to the collateralization requirements of ORS 295.

Custodial credit risk – Custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer), the Hospital will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Hospital's investments are generally held by qualified financial institutions or government agencies. The Hospital believes there is minimal custodial credit risk with its investments at this time. Hospital management monitors the entities which hold the various investments to ensure they remain in good standing.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the Hospital's investment in a single issuer. The Hospital believes there is minimal concentration of custodial credit risk with its investments at this time. Hospital management monitors the entities which hold the various investments to ensure they remain in good standing.

3. Patient Accounts Receivable:

Patient accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectibility of patient accounts receivable, the Hospital analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which include both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Hospital records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The Hospital's allowance for uncollectible accounts for self-pay patients did not significantly change. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

Patient accounts receivable reported as current assets by the Hospital consisted of these amounts:

		2024		2023
Receivables from patients and other insurance carriers	**$**	**2,612,150**	$	1,990,458
Receivables from Medicare		**2,510,997**		1,690,322
Receivables from Medicaid		**750,308**		561,052
Total patient accounts receivable		**5,873,455**		4,241,832
Less allowance for uncollectible accounts		**862,157**		761,251
Patient accounts receivable, net	**$**	**5,011,298**	$	3,480,581

4. Property Taxes:

The Douglas County (the County) Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Taxes are levied annually on July 1 on property values listed as of the prior January 1. Remaining property tax balances due to the County after May 15 are considered delinquent. Collections are distributed monthly to the Hospital by the County Treasurer.

Property taxes are recorded as receivables when levied. Since state law allows for sale of property for failure to pay taxes, no estimate of uncollectible taxes is made.

For the year ended June 30, 2024, the Hospital levied property taxes at the rate of $3.9729 per $1,000 of assessed property value and generated $2,456,095 in property tax revenue. For the year ended June 30, 2023, the Hospital levied property taxes at the rate of $3.9724 per $1,000 of assessed property value and generated $2,381,128 in property tax revenue.

5. Capital Assets:

All capital assets, other than land and construction in progress, are being depreciated or amortized (in the case of right-of-use assets), using the straight-line method over the shorter period of the right-of-use agreement term or the estimated useful life of the capital asset. Amortization from right-of-use leases is included in depreciation and amortization in the financial statements. Expenditures for maintenance and repairs are expensed as incurred; betterments and major renewals are capitalized. Useful lives have been estimated as follows:

Land improvements	2-20 years
Buildings and improvements	5-40 years
Fixed equipment	10-20 years
Movable equipment	2-20 years
Lease right-of-use assets – Buildings	2-7 years
Lease right-of-use assets – Equipment	2-7 years
Software right-of-use assets	2-7 years

The Hospital capitalizes assets whose costs exceed $5,000 and with an estimated useful life of at least two years; lesser amounts are expensed. Capital assets are reported at historical cost or their estimated fair value at the date of donation. When such assets are disposed of, the related costs and accumulated depreciation or amortization are removed from the accounts, and the resulting gain or loss is classified in nonoperating revenues or expenses.

5. Capital Assets (continued):

Capital asset activity was as follows:

	Balance June 30, 2023	Additions	Retirements	Transfers	Balance June 30, 2024
Capital assets not being depreciated or amortized					
Land	$ 402,197	$ -	$ -	$ -	**$ 402,197**
Construction in progress	56,483	12,503	-	(64,729)	**4,257**
Total capital assets not being depreciated or amortized	458,680	12,503	-	(64,729)	**406,454**
Capital assets being depreciated or amortized					
Land improvements	547,187	-	-	-	**547,187**
Buildings and improvements	9,545,387	102,713	(49,942)	53,688	**9,651,846**
Fixed equipment	594,738	-	-	-	**594,738**
Movable equipment	5,731,048	364,337	(12,747)	221,985	**6,304,623**
Lease equipment right-of-use assets	2,267,151	203,799	(444,289)	(210,944)	**1,815,717**
Software right-of-use assets	879,469	-	(60,607)	-	**818,862**
Total capital assets being depreciated or amortized	19,564,980	670,849	(567,585)	64,729	**19,732,973**
Less accumulated depreciation and amortization for:					
Land improvements	333,197	29,038	-	-	**362,235**
Buildings and improvements	7,701,687	197,209	(12,069)	-	**7,886,827**
Fixed equipment	467,774	24,994	-	-	**492,768**
Movable equipment	4,030,363	535,025	(11,411)	210,944	**4,764,921**
Lease equipment right-of-use assets	1,083,476	408,543	(440,073)	(210,944)	**841,002**
Software right-of-use assets	300,860	242,297	(60,607)	-	**482,550**
Total accumulated depreciation and amortization	13,917,357	1,437,106	(524,160)	-	**14,830,303**
Total capital assets being depreciated and amortized, net	5,647,623	(766,257)	(43,425)	64,729	**4,902,670**
Capital assets, net	**$ 6,106,303**	**$ (753,754)**	**$ (43,425)**	**$ -**	**$ 5,309,124**

5. Capital Assets (continued):

	Balance June 30, 2022	Additions	Retirements	Transfers	Balance June 30, 2023
Capital assets not being depreciated or amortized					
Land	$ 402,197	$ -	$ -	$ -	**$ 402,197**
Construction in progress	115,312	304,931	(7,813)	(355,947)	**56,483**
Total capital assets not being depreciated	517,509	304,931	(7,813)	(355,947)	**458,680**
Capital assets being depreciated or amortized					
Land improvements	487,726	-	-	59,461	**547,187**
Buildings and improvements	9,503,896	-	-	41,491	**9,545,387**
Fixed equipment	594,738	-	-	-	**594,738**
Movable equipment	5,475,836	217	-	254,995	**5,731,048**
Lease equipment right-of-use assets	1,679,813	535,675	51,664	-	**2,267,152**
Software right-of-use assets	361,163	518,305	-	-	**879,468**
Total capital assets being depreciated or amortized	18,103,172	1,054,197	51,664	355,947	**19,564,980**
Less accumulated depreciation and amortized for:					
Land improvements	305,757	27,440	-	-	**333,197**
Buildings and improvements	7,493,545	208,142	-	-	**7,701,687**
Fixed equipment	442,779	24,995	-	-	**467,774**
Movable equipment	3,480,975	549,388	-	-	**4,030,363**
Lease equipment right-of-use assets	675,290	436,506	(28,320)		**1,083,476**
Software right-of-use assets	90,757	210,103	-	-	**300,860**
Total accumulated depreciation and amortized	12,489,103	1,456,574	(28,320)	-	**13,917,357**
Total capital assets being depreciated and amortized, net	5,614,069	(402,377)	79,984	355,947	**5,647,623**
Capital assets, net	**$ 6,131,578**	**$ (97,446)**	**$ 72,171**	**$ -**	**$ 6,106,303**

6. Long-term Debt, Lease, and Other Noncurrent Liabilities:

A schedule of balances and changes in the Hospital's long-term debt, lease liabilities, and subscription liabilities follows:

	Balance June 30, 2023	Additions	Reductions	Balance June 30, 2024	Amounts Due Within One Year
Long-term debt					
Umpqua bank	$ 1,171,723	$ -	$ (226,771)	$ 944,952	**$ 232,938**
Douglas County	97,485	-	-	97,485	**-**
Total long-term debt	1,269,208	-	(226,771)	1,042,437	**232,938**
Lease and subscription liabilities	1,478,720	233,252	(565,924)	1,146,048	**504,347**
Other noncurrent liabilities					
Medical malpractice claims liability	420,400	-	(420,400)	-	**-**
Total noncurrent liabilities	$ 3,168,328	$ 233,252	$ (1,213,095)	$ 2,188,485	**$ 737,285**

	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023	Amounts Due Within One Year
Long-term debt					
Umpqua Bank	$ 1,392,608	$ -	$ (220,885)	$ 1,171,723	**$ 226,841**
Douglas County	228,925	-	(131,440)	97,485	**-**
Total long-term debt	1,621,533	-	(352,325)	1,269,208	**226,841**
Lease and subscription liabilities	-	1,478,720	-	1,478,720	**524,935**
Other noncurrent liabilities					
Medical malpractice claims liabilty	420,000	400	-	420,400	**-**
Medicare accelerated payments	1,275,588	-	(1,275,588)	-	**-**
Total noncurrent liabilties	1,695,588	400	(1,275,588)	420,400	**-**
Total noncurrent liabilities	$ 3,317,121	$ 1,479,120	$ (1,627,913)	$ 3,168,328	**$ 751,776**

Note payable to Umpqua Bank – In May 2013, the Hospital entered into a loan agreement with Umpqua Bank for $3,338,800 to refinance prior debt. Payments are due in monthly installments of $21,319 with interest at 2.62 percent through June 2028. As a condition of the loan, the Hospital must maintain a debt service reserve fund and meet certain financial ratio covenants.

Note payable to Douglas County – In April 2006, the Hospital entered into a loan agreement (the County Loan Agreement) with the County to borrow up to $850,000 to assist an unrelated third-party (the Developer) in developing certain home sites in a subdivision (the Subdivision) in Reedsport, Oregon. In connection with this development, certain roads and infrastructure were built so that an assisted living facility could potentially be constructed on some undeveloped land that was donated to the Hospital by the Developer. Borrowings under the County Loan Agreement were to accrue interest and are secured by the Subdivision, as well as the underlying land. Principal and interest amounts were due based on the net sales proceeds of home sites sold by the Developer (i.e., as sales were made, the proceeds, net of closing costs and realtor fees, were to be remitted by the Developer to the Hospital and then to the County and applied against outstanding accrued interest and borrowings under the County Loan Agreement).

6. Long-term Debt, Lease, and Other Noncurrent Liabilities (continued):

Any remaining unpaid amounts owed under the County Loan Agreement were originally due and payable in April 2021. In conjunction with entering into the County Loan Agreement, the Hospital entered into a development agreement with the Developer, whereby the Hospital loaned the developer $1,050,000, the Developer agreed to remit all home site net sales proceeds to the Hospital until all outstanding borrowings under the County Loan Agreement (including interest) have been repaid, and the Developer granted the Hospital a security interest in the Subdivision. Any remaining unpaid amounts owed by the Developer to the Hospital were originally due and payable in April 2021. During the year ended June 30, 2018, the County Loan Agreement was modified (the Modification) such that if the Hospital repays the County $612,000 by May 30, 2028, the debt to the County will be deemed to be fully repaid. If $612,000 is not paid by the Hospital to the County by May 30, 2028, the amount owed to the County would be approximately $1,134,000 (approximately $845,000 originally loaned from the County to the Hospital plus accrued interest as of June 30, 2017, of approximately $289,000) (as reduced by any subsequent payments). Also, under the Modification, interest is no longer being charged by the County under the County Loan Agreement. Similarly, the Hospital entered into a Modification of its agreement with the Developer such that if the Developer pays the Hospital $612,000 by May 30, 2028, the receivable from the Developer will be deemed to be fully repaid. Also, if the Developer does not pay the Hospital $612,000 by May 30, 2028, this Modification will be considered to be null and void, and the Developer would owe the Hospital approximately $1,134,000 (as reduced by any subsequent payments).

During the year ended June 30, 2024, there were no home sites sold and as such, the Developer did not remit anything to the Hospital and the receivable from the Developer and the payable to the County remained at approximately $97,000. During the year ended June 30, 2023, four home sites were sold and, accordingly, the Developer remitted approximately $131,000 to the Hospital. The Hospital remitted such amounts to the County, reducing the receivable from the Developer and the payable to the County to approximately $97,000. In the accompanying statements of net position, amounts due from the Developer are included in other assets, and amounts due to the County are included in long-term obligations. In the event of a default by the Hospital, all amounts due under the Modification may, at the County's discretion, become immediately due and payable by the Hospital.

Lease and subscription liabilities – The Hospital has other lease and subscription liabilities payable to various lenders in the amount of $1,146,048, due in monthly installments between $393 to $17,072, including interest from 2 percent to 9 percent, through October 2029.

The Hospital’s lease and subscription agreements do not contain any material residual value guarantees or material restrictive covenants.

6. Long-term Debt, Lease, and Other Noncurrent Liabilities (continued):

Scheduled principal and interest payments are as follows:

Years Ending June 30,	Long-term Debt		
	Principal	Interest	Total
2025	$ 232,938	$ 22,274	$ 255,212
2026	239,199	16,013	255,212
2027	245,629	9,583	255,212
2028	227,186	2,989	230,175
Total	**$ 944,952**	**$ 50,859**	**$ 995,811**

Years Ending June 30,	Lease and Subscription Liabilities		
	Principal	Interest	Total
2025	$ 504,347	$ 44,308	$ 548,655
2026	287,568	21,798	309,366
2027	179,133	14,650	193,783
2028	120,048	6,487	126,535
2029	51,123	1,280	52,403
2030	3,829	19	3,848
Total	**$ 1,146,048**	**$ 88,542**	**$ 1,234,590**

7. Defined Contribution Retirement Plan:

Eligible employees may make elective contributions to the Hospital's defined contribution retirement plan, Lower Umpqua Hospital District Employees' Savings Plan (the Plan), a 403(b) Savings Plan. The Plan covers substantially all of the Hospital's employees who have reached age 21 and have completed one year of employment with at least 1,000 hours of service.

The Hospital can make discretionary contributions to the plan on behalf of the employees.

During the years ended June 30 2024 and 2023, the Hospital contributed 5% of eligible employee' compensation to the Plan which resulted in $613,096 and $558,451 paid by the Hospital for 2024 and 2023, respectively. Participants are not vested in any of the Hospital's contributions until they have attained three years of service, at which time they become 100% vested. The Plan is administered by the Hospital and can be amended or terminated by the Hospital at any time. Forfeitures of nonvested contributions are used to reduce plan expenses.

Participant contributions to the Plan during the years ended June 30, 2024 and 2023, were approximately $749,000 and $706,000, respectively.

8. Net Patient Service Revenue:

The Hospital recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients who do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services provided. The Hospital's provisions for bad debts and writeoffs have not changed significantly from prior years. The Hospital has not changed its charity care or uninsured discount policies during the years ended June 30, 2024 or 2023. The Hospital does not maintain a material allowance for uncollectible accounts from third-party payors, nor did it have significant writeoffs from third-party payors. Patient service revenue, net of contractual adjustments and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows:

		2024		2023
Patient service revenue (net of contractual adjustments and discounts):				
Medicare	**$**	**17,721,955**	$	16,120,916
Medicaid		**5,998,714**		5,206,109
Other third-party payors		**8,017,083**		7,556,717
Patients		**633,225**		682,666
		32,370,977		29,566,408
Less:				
Charity care		**221,914**		350,468
Provision for bad debts		**603,927**		614,531
Net patient service revenue	**$**	**31,545,136**	$	28,601,409

8. Net Patient Service Revenue (continued):

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

- *Medicare* – The Hospital is classified as a critical access hospital and is reimbursed for most inpatient, outpatient, and rural health clinic services at cost with final settlement determined after submission of annual cost reports by the Hospital and subject to audits thereof by the Medicare administrative contractor. Physician services are reimbursed on a fee schedule.

- *Medicaid* – For patients covered by Medicaid, inpatient, outpatient, and rural health clinic services are paid at prospectively determined rates.

The Hospital also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Laws and regulations governing Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Due to differences between original estimates and final settlements or revised estimates, net patient service revenue increased by approximately $105,000 in 2024 and decreased by approximately $1,288,000 in 2023.

The Hospital provides charity care to patients who are financially unable to pay for the healthcare services they receive. The Hospital's policy is not to pursue collection of amounts determined to qualify as charity care. Accordingly, the Hospital does not report these amounts in net operating revenues or in the allowance for uncollectible accounts. The Hospital determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including salaries and wages, benefits, supplies, and other operating expenses, based on data from its costing system. The costs of caring for charity care patients for the years ended June 30, 2024 and 2023, were approximately $155,000 and $239,000, respectively.

9. CARES Act Employee Retention Credit:

In 2024, the Hospital claimed the CARES Act Employee Retention Credit (ERC) by amending its Form 941 Employer Quarterly Federal Tax Return for the first three quarters for 2021. The Hospital used a consultant to assist them with the filing and claiming of the ERC. As per the contract, the Hospital is to pay the consultant 15 percent of the ERC when it is received. The Hospital anticipates receiving the ERC in the year ending June 30, 2025.

Laws and regulations concerning the ERC are complex and subject to varying interpretations. ERC claims may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Hospital's claim to the ERC, and it is not possible to determine the impact (if any) this would have upon the Hospital.

As of June 30, 2024, the Hospital recorded a receivable in the amount of $3,887,164 and a payable to the consultant in the amount of $583,075 in the accompanying statements of net position, and the corresponding nonoperating revenue of $3,887,164 and nonoperating expense in the amount of $583,075 in the accompanying statements of revenues, expenses, and changes in net position.

10. Risk Management and Contingencies:

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

Medical malpractice claims – The Hospital has professional liability insurance with UMIA. The UMIA policy provides protection on a "claims-made" basis whereby only malpractice claims reported to the insurance carrier in the current year are covered by the current policies. If there are unreported incidents which result in a malpractice claim in the current year, such claims would be covered in the year the claim was reported to the insurance carrier only if the Hospital purchased claims-made insurance in that year or the Hospital purchased "tail" insurance to cover claims incurred before but reported to the insurance carrier after cancellation or expiration of a claims-made policy. The malpractice insurance provides $1,000,000 per claim of primary coverage with an annual aggregate limit of $5,000,000.

The Hospital also has excess professional liability insurance with UMIA on a claims-made basis. The excess malpractice insurance provides $2,000,000 per claim of primary coverage with an annual aggregate limit of $2,000,000.

The Hospital recorded an estimated liability for incurred by not reported (IBNR) medical malpractice claims of approximately $420,000 as of June 30, 2023. During the year ended June 30, 2024, the Hospital elected to write off this liability. This write off was offset against the insurance expense account, resulting in a one-time credit balance in this account. Insurance expense is grouped with other expense in the accompanying statements of net position.

		2024
Balance of insurance expense prior to write off	$	347,549
Write off of IBNR medical malpractice liability		(420,411)
Balance of insurance expense after write off	$	(72,862)

Industry regulations – The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditations, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity continues with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes no significant violations have been made by the Hospital.

While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

10. Risk Management and Contingencies (continued):

Collective bargaining agreement (CBA) – As of June 30, 2024, approximately 50% and 21% of the Hospital's employees are covered under CBAs with the United Food and Commercial Workers union (the UFCW) and the Teamsters Local 206 union (the Teamsters), respectively. As of June 30, 2023, approximately 52 percent and 20 percent of the Hospital's employees are covered under CBAs with the UFCW, respectively. The CBA with the UFCW expires on June 30, 2027, and the CBA with the Teamsters expires on May 31, 2028.

11. Concentrations:

Patient Accounts Receivable – The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The majority of these patients are geographically concentrated in and around the Reedsport, Oregon, area.

The mix of receivables from patients was as follows:

	2024	2023
Medicare	**48 %**	47 %
Medicaid	**18**	18
Other third-party payors	**25**	24
Patients	**9**	11
	100 %	100 %

Physicians – The Hospital is dependent on local physicians practicing in its service area to provide admissions and utilize hospital services on an outpatient basis. A decrease in the number of physicians providing these services or change in their utilization patterns may have an adverse effect on the Hospital's operations.

SUPPLEMENTAL INFORMATION

Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
Schedule of Resources and Expenditures – Budget vs. Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2024

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues			
Net patient revenue	$ 31,863,264	$ 31,545,136	$ (318,128)
Other	506,000	686,530	180,530
Pharmacy	2,500,000	3,300,407	800,407
Provider tax revenue	1,249,645	1,000,231	(249,414)
Grants	-	146,157	146,157
Total operating revenues	36,118,909	36,678,461	559,552
Operating expenses			
Salaries and wages	16,118,322	16,231,814	(113,492)
Employee benefits	5,609,184	5,523,784	85,400
Professional fees and purchased services	8,115,027	8,186,949	(71,922)
Supplies	4,314,191	5,048,209	(734,018)
Utilities	401,268	341,397	59,871
Repairs and maintenance	316,034	395,898	(79,864)
Depreciation and amortization	1,373,079	1,437,106	(64,027)
Provider tax	1,249,645	1,000,231	249,414
Rent	172,190	182,899	(10,709)
Other	975,814	1,116,862	(141,048)
Total operating expenses	38,644,754	39,465,149	(820,395)
Operating loss	(2,525,845)	(2,786,688)	(260,843)
Nonoperating revenues (expenses)			
Property Tax	2,465,917	2,453,417	(12,500)
CARES Act Employee Retention Credit	-	3,887,164	3,887,164
CARES Act Employee Retention Credit professional fees	-	(583,075)	(583,075)
Other revenues and expenses, net	75,000	(54,491)	(129,491)
Total nonoperating revenues, net	2,540,917	5,703,015	3,162,098
Change in net position	**$ 15,072**	**$ 2,916,327**	**$ 2,901,255**

ADDITIONAL REQUIRED REPORTS

Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
Audit Comments and Disclosures Required by Oregon State Regulations
Year Ended June 30, 2024

Audit Comments and Disclosures Required by State Regulations

Oregon Administrative Rules 162-010-0000 through 162-010-0330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments, and disclosures required in audit reports. The required statements and schedules are set forth in the preceding sections of this report. Required comments and disclosures related to the audit of such statements and schedules are set forth in the following pages.

ACCOUNTANTS | ADVISORS

INDEPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS

Board of Directors
Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
Reedsport, Oregon

We have audited the basic financial statements of Lower Umpqua Hospital District doing business as Lower Umpqua Hospital (the Hospital) as of and for the year ended June 30, 2024, and have issued our report thereon dated October 17, 2024. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

Compliance

As part of obtaining reasonable assurance about whether the Hospital's financial statements as of and for the year ended June 30, 2024, are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, including the provisions of Oregon Revised Statutes (ORS) as specified in Oregon Administrative Rules (OAR) 162-010-0000 through 162-010-0330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to, the following:

- Accounting records and internal control
- Public fund deposits
- Indebtedness
- Budget
- Insurance and fidelity bonds
- Programs funded from outside sources
- Investments
- Public contracts and purchasing

In connection with our testing, nothing came to our attention that caused us to believe the Hospital was not in substantial compliance with certain provisions of laws, regulations, contracts and grant agreements, including the provisions of the ORS as specified in OAR 162-010-0000 through 162-010-0330 of the *Minimum Standards for Audits of Oregon Municipal Corporations.*

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OAR 162-010-0230 Internal Control

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 and significant deficiencies may exist that have not been identified.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. Accordingly, this communication is not suitable for any other purpose.

Restriction on Use

This report is intended solely for the information and use of the Board of Directors; management; others within the Hospital; and the Secretary of State, Oregon Audits Division, and is not intended to be, and should not be, used by anyone other than these specified parties.

Luke Zarecor, Owner

DZA PLLC
Spokane Valley, Washington
October 17, 2024

ACCOUNTANTS | ADVISORS

INDEPENDENT AUDITORS' 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 Directors
Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
Reedsport, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of Lower Umpqua Hospital District doing business as Lower Umpqua Hospital (the Hospital) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, as listed in the table of contents, and have issued our report thereon dated October 17, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered the Hospital'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 Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

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

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

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and 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 Hospital's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DZA PLLC

Spokane Valley, Washington
October 17, 2024

Lower Umpqua Hospital District doing business as Lower Umpqua Hospital

Financial Statements and Independent Auditors' Reports

June 30, 2025 and 2024

DZA

ACCOUNTANTS | ADVISORS

Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
Table of Contents

INTRODUCTORY SECTION

Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
Governing Board and Principal Employee
June 30, 2025

Members of the Board of Directors as of June 30, 2025:

Ron Kreskey 323 Bittersweet Court Reedsport, OR 97467	Board Chair
Cheryl Young 3539 South Smith River Rd Reedsport, OR 97467	Vice Chair
Brenda Fraley 900 Ranch Road Reedsport, OR 97467	Director
Leon Bridge 2700 Ridgeway Drive Reedsport, OR 97467	Treasurer
Karen Bedard 2150 Fir Avenue Reedsport, OR 97467	Secretary

Lower Umpqua Hospital District doing business as Lower Umpqua Hospital has designated the following registered agent and office as of July 1, 2024.

Registered agent	Melissa Cribbins
Registered office	Lower Umpqua Hospital 600 Ranch Road Reedsport, OR 97467

FINANCIAL SECTION

ACCOUNTANTS | ADVISORS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
Reedsport, Oregon

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Lower Umpqua Hospital District doing business as Lower Umpqua Hospital (the Hospital) as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Hospital's financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital as of June 30, 2025 and 2024, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hospital, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2025, the Hospital adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

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 Hospital's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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, including omissions, 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 Hospital'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 Hospital'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.

Required Supplementary Information

GAAP requires that the management's discussion and analysis on pages 5-8 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of resources and expenditures – budget vs. actual is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material 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 November 19, 2025, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters for the year ended June 30, 2025. The purpose of this 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 Hospital's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

Other Reporting Required by Regulatory Requirements

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated November 19, 2025, on our consideration of the Hospital's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

DZA PLLC

Spokane Valley, Washington
November 19, 2025

Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
Management's Discussion and Analysis
June 30, 2025 and 2024

Introduction

Management's discussion and analysis of Lower Umpqua Hospital District doing business as Lower Umpqua Hospital's (the Hospital), financial performance provides an overview of the Hospital's financial activities for the fiscal years ended June 30, 2025, 2024, and 2023. Please read it in conjunction with the Hospital's financial statements that follow.

The Hospital is a governmental entity organized under the laws of the state of Oregon with five publicly elected board members who serve four-year terms. The Hospital levies and collects property taxes from property owners within the District. The Governmental Accounting Standards Board (GASB) prescribes the financial reporting format for the Hospital. The state of Oregon's Auditor's Office maintains copies of the audited financial statements.

Financial Highlights

For the fiscal year ended June 30, 2025, the Hospital strengthened its overall financial position significantly. This improvement was driven by a series of operational initiatives implemented during the year that increased patient volumes and enhanced cost control. Collectively, these efforts contributed to improved financial performance and greater stability heading into the next fiscal cycle.

Some key financial highlights are as follows:

- The Hospital reported operating losses of approximately $0.8 million, $2.8 million, and $4.4 million for fiscal years 2025, 2024, and 2023, respectively.

- Operating revenues were $43.3 million in fiscal year 2025, $36.7 million in fiscal year 2024, and $32.5 million in fiscal year 2023, representing increases of $6.6 million for FY 2025 and $4.2 million for FY 2024.

- Operating expenses were $44.1 million in fiscal year 2025, $39.5 million in fiscal year 2024, and $36.8 million in fiscal year 2023, representing increases of $4.6 million for FY 2025 and $2.7 million for FY 2024.

- Nonoperating revenues were $3 million in fiscal year 2025, $5.7 million in fiscal year 2024, and $2.3 million in fiscal year 2023, reflecting a decrease of approximately $2.7 million in FY 2025, and an increase of $3.4 million in FY 2024. The decrease in 2025 primarily reflects the absence of CARES Act Employee Retention Credit (ERC) funding, which the Hospital received in the prior year. The increase in 2024 was due to the Hospital's submission for the ERC, compared to $2.3 million recognized in fiscal year 2023.

- The Hospital's net position was $14.8 million in fiscal year 2025, $12.5 million in fiscal year 2024, and $9.7 million in fiscal year 2023 reflecting an increase of $2.3 million in FY 2025 compared to an increase of $2.8 million in FY 2024.

Overview of the Financial Statements

The Hospital's financial statements include three primary statements: the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. Together with the accompanying notes, these statements provide comprehensive information about the Hospital's financial condition, operational results, and cash flow activities.

The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position

The statement of net position and the statement of revenues, expenses, and changes in net position provide information about the Hospital's resources and activities in a manner that helps users assess whether the Hospital is better or worse off as a result of the year's operations. These statements are prepared using the accrual basis of accounting, which recognizes all assets and liabilities, and records revenues and expenses in the period they are earned or incurred, regardless of when cash is received or paid.

These statements present the Hospital's net position and the changes in net position compared to the prior year. The Hospital's net position—the difference between assets and liabilities—serves as one measure of its financial health. Over time, increases or decreases in net position can indicate whether the Hospital's financial condition is improving or declining. To fully assess the Hospital's overall health, it is important to consider additional nonfinancial factors, including changes in the patient population, quality of services provided to the community, and local economic conditions.

The Statement of Cash Flows

The statement of cash flows reports on the Hospital's cash receipts, cash payments, and net changes in cash and cash equivalents arising from operating activities, noncapital financing activities, capital and related financing activities, and investing activities. This statement helps answer key questions such as: "Where did cash come from?" "How was cash used?" and "What was the change in the cash balance during the reporting period?"

Financial Analysis of the Hospital

The Hospital's net position—the difference between its assets and liabilities as reported in the statement of net position—serves as a key measure of its financial health. Sustained increases or decreases in net position over time can indicate whether the Hospital's financial condition is improving or declining. However, it is important to also consider nonfinancial factors, such as changes in local economic conditions, population growth, and new or revised government regulations and legislation, when evaluating the overall health of the Hospital.

Table 1: Statements of Net Position:

	2025	2024	2023
Assets			
Current assets	**$ 16,006,629**	$ 13,175,967	$ 9,547,910
Capital assets, net	**4,335,123**	4,902,670	6,106,303
Other noncurrent assets	**832,039**	808,736	402,514
Total assets	**$ 21,173,791**	$ 18,887,373	$ 16,056,727
Liabilities			
Current liabilities	**$ 5,201,179**	$ 4,925,396	$ 3,895,725
Noncurrent liabilities	**1,183,920**	1,451,200	2,416,552
Total liabilities	**6,385,099**	6,376,596	6,312,277
Net position			
Net investment in capital assets	**2,967,687**	3,120,639	3,358,386
Restricted	**399,279**	333,880	333,880
Unrestricted	**11,421,726**	9,056,258	6,052,184
Total net position	**14,788,692**	12,510,777	9,744,450
Total liabilities and net position	**$ 21,173,791**	**$ 18,887,373**	**$ 16,056,727**

Table 2: Operating Results and Changes in Net Position

	2025	2024	2023
Operating revenues			
Net patient service revenue	$ **37,154,649**	$ 31,545,136	$ 28,601,409
Other operating revenue	**6,165,047**	5,133,325	3,865,600
Total operating revenues	**43,319,696**	36,678,461	32,467,009
Operating expenses			
Salaries, wages, and benefits	**24,013,517**	21,755,598	20,463,349
Professional fees	**8,631,795**	8,186,949	7,642,215
Depreciation and amortization	**1,315,987**	1,437,106	1,456,574
Supplies and other operating expenses	**10,117,437**	8,085,496	7,282,069
Total operating expenses	**44,078,736**	39,465,149	36,844,207
Operating loss	**(759,040)**	(2,786,688)	(4,377,198)
Nonoperating revenues (expenses)			
Taxation	**2,608,462**	2,453,417	2,372,421
CARES Act Employee Retention Credit	**-**	3,887,164	-
CARES Act Employee Retention Credit professional fees	**-**	(583,075)	-
CARES Act Employee Retention Credit interest income	**466,886**	-	-
Interest income	**157,300**	141,115	112,688
Interest expense	**(195,693)**	(195,606)	(185,419)
Total nonoperating revenues (expenses), net	**3,036,955**	5,703,015	2,299,690
Change in net position	**2,277,915**	2,766,327	(2,077,508)
Net position, beginning of year	**12,510,777**	9,744,450	11,821,958
Net position, end of year	$ **14,788,692**	$ 12,510,777	$ 9,744,450

Contacting the Hospital's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. If you have questions about this report or need additional information, contact the Hospital's Chief Financial Officer's Office at Lower Umpqua Hospital District doing business as Lower Umpqua Hospital, 600 Ranch Road, Reedsport, OR 97467.

FINANCIAL STATEMENTS

Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
Statements of Net Position
June 30, 2025 and 2024

ASSETS	2025	2024
Current assets		
Cash and cash equivalents	$ **4,299,767**	$ 1,218,272
Receivables:		
Patient accounts, net	**5,325,068**	5,011,298
Estimated third-party payor settlements	**-**	874,000
Retail pharmacy	**308,245**	294,687
Property taxes	**448,108**	330,215
Provider tax	**120,186**	258,979
Other	**252,336**	202,617
CARES Act Employee Retention Credit	**3,887,164**	3,887,164
CARES Act Employee Retention Credit interest	**466,886**	-
Inventories	**605,330**	718,931
Prepaid expenses and other	**293,539**	379,804
Total current assets	**16,006,629**	13,175,967
Noncurrent assets		
Restricted noncurrent cash and cash equivalents	**399,279**	402,282
Depreciable capital assets, net	**4,335,123**	4,902,670
Nondepreciable captial assets	**432,760**	406,454
Total noncurrent assets	**5,167,162**	5,711,406
Total assets	$ **21,173,791**	$ 18,887,373

See accompanying notes to financial statements.

Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
Statements of Net Position (Continued)
June 30, 2025 and 2024

LIABILITIES AND NET POSITION	2025	2024
Current liabilities		
Accounts payable	$ **1,223,800**	$ 1,067,401
Accrued compensation and related liabilities	**1,933,777**	1,923,656
CARES Act Employee Retention Credit professional fees	**583,075**	583,075
Estimated third-party payor settlements	**724,065**	355,000
Provider tax	**120,186**	258,979
Current maturities of lease and subscription liabilities	**377,077**	504,347
Current maturities of long-term debt	**239,199**	232,938
Total current liabilities	**5,201,179**	4,925,396
Noncurrent liabilities		
Lease and subscription liabilities, net of current maturities	**617,388**	641,701
Long-term debt, net of current maturities	**566,532**	809,499
Total noncurrent liabilities	**1,183,920**	1,451,200
Total liabilities	**6,385,099**	6,376,596
Net position		
Net investment in capital assets	**2,967,687**	3,120,639
Restricted for debt service	**399,279**	333,880
Unrestricted	**11,421,726**	9,056,258
Total net position, as restated	**14,788,692**	12,510,777
Total liabilities and net position	$ **21,173,791**	$ 18,887,373

See accompanying notes to financial statements.

Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2025 and 2024

	2025	2024
Operating revenues		
Net patient service revenue	$ **37,154,649**	$ 31,545,136
Retail pharmacy	**3,973,808**	3,300,407
Provider tax revenue	**1,034,660**	1,000,231
Grants	**392,661**	146,157
Other	**763,918**	686,530
Total operating revenues	**43,319,696**	36,678,461
Operating expenses		
Salaries and wages	**17,746,739**	16,231,814
Employee benefits	**6,266,778**	5,523,784
Professional fees and purchased services	**8,631,795**	8,186,949
Supplies	**6,352,213**	5,048,209
Utilities	**330,184**	341,397
Repairs and maintenance	**493,464**	395,898
Depreciation and amortization	**1,315,987**	1,437,106
Provider tax	**1,034,660**	1,000,231
Rent	**411,887**	182,899
Other	**1,495,029**	1,116,862
Total operating expenses	**44,078,736**	39,465,149
Operating loss	**(759,040)**	(2,786,688)
Nonoperating revenues (expenses)		
Property tax	**2,608,462**	2,453,417
CARES Act Employee Retention Credit	**-**	3,887,164
CARES Act Employee Retention Credit professional fees	**-**	(583,075)
CARES Act Employee Retention Credit interest income	**466,886**	-
Interest income	**157,300**	141,115
Interest expense	**(195,693)**	(195,606)
Total nonoperating revenues, net	**3,036,955**	5,703,015
Change in net position	**2,277,915**	2,916,327
Net position, beginning of year, as restated	**12,510,777**	9,594,450
Net position, end of year, as restated	**$ 14,788,692**	$ 12,510,777

See accompanying notes to financial statements.

Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
Statements of Cash Flows
Years Ended June 30, 2025 and 2024

	2025	2024
Change in Cash and Cash Equivalents		
Cash flows from operating activities		
Receipts from and on behalf of patients	$ **38,083,944**	$ 29,589,898
Receipts from other revenue	**714,199**	498,268
Receipts from retail pharmacy revenue	**3,960,250**	3,387,924
Receipts from grants	**392,661**	146,157
Payments to or on behalf of employees	**(24,003,396)**	(21,516,784)
Payments to suppliers and contractors	**(17,358,307)**	(15,413,543)
Net cash from operating activities	**1,789,351**	(3,308,080)
Cash flows from noncapital financing activities		
Property taxes	**2,490,569**	2,391,837
Cash flows from capital and related financing activities		
Principal paid on long-term debt and other noncurrent liabilities	**(1,004,169)**	(792,695)
Interest paid	**(195,693)**	(195,606)
Proceeds from sale of assets	**293,522**	-
Purchase of capital assets	**(452,388)**	(406,675)
Net cash from capital and related financing activities	**(1,358,728)**	(1,394,976)
Cash flows from investing activities		
Interest received	**157,300**	141,115
Net change in cash and cash equivalents	**3,078,492**	(2,170,104)
Cash and cash equivalents, beginning of year	**1,620,554**	3,790,658
Cash and cash equivalents, end of year	$ **4,699,046**	$ 1,620,554

See accompanying notes to financial statements.

Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
Statements of Cash Flows (Continued)
Years Ended June 30, 2025 and 2024

	2025	2024
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Cash and cash equivalents	$ **4,299,767**	$ 1,218,272
Restricted noncurrent cash and investments	**399,279**	402,282
Total cash and cash equivalents	$ **4,699,046**	$ 1,620,554
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	$ **(759,040)**	$ (2,786,688)
Adjustments to reconcile operating loss to net cash from operating activities		
Depreciation and amortization	**1,315,987**	1,437,106
Provision for bad debts	**1,081,654**	603,927
(Increase) decrease in assets:		
Receivables:		
Patient accounts, net	**(1,395,424)**	(2,134,644)
Estimated third-party payor settlements	**874,000**	(431,602)
Retail pharmacy	**(13,558)**	87,517
Provider tax receivable	**138,793**	(32,364)
Other	**(49,719)**	(131,054)
Inventories	**113,601**	125,764
Prepaid expenses and other	**86,265**	63,271
Increase (decrease) in liabilities:		
Accounts payable	**156,399**	32,828
Accrued compensation and related liabilities	**10,121**	238,814
Estimated third-party payor settlements	**369,065**	7,081
Provider tax payable	**(138,793)**	32,364
Medical malpractice	**-**	(420,400)
Net cash from operating activities	$ **1,789,351**	$ (3,308,080)

Noncash Capital and Related Financing Activities

During the year ended June 30, 2025, the Hospital recorded approximately $600,000 of right-of-use assets, approximately $200,000 lease liabilities, and approximately $400,000 subscription liabilities for lease agreements during the year.

See accompanying notes to financial statements.

1. Reporting Entity and Summary of Significant Accounting Policies:

a. Reporting Entity

Lower Umpqua Hospital District owns and operates Lower Umpqua Hospital (the Hospital), a licensed 20-bed critical access hospital and medical clinics. The Hospital provides healthcare services to patients in and around Reedsport, Oregon. The Hospital's services include acute care hospital, surgery, emergency department, and related clinic and ancillary services (laboratory, radiology, etc.).

The Hospital also has dual status as a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code. The Hospital is exempt from federal income tax.

The Hospital was incorporated as a municipal corporation in October 1954, and the Hospital operates under the laws of the state of Oregon for Oregon Health Districts as provided by Oregon Revised Statutes (ORS) 440.315-440.410. It is governed by an elected five-member board.

For financial reporting purposes, the Hospital has included all funds, organizations, agencies, boards, commissions, and authorities. The Hospital has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Hospital are such that the exclusion would cause the Hospital's financial situation to be misleading or incomplete.

Related organization – The Lower Umpqua Hospital Foundation, Inc. (the Foundation) is a separate nonprofit corporation. The Foundation was organized to solicit and accept charitable contributions in order to provide support to the Hospital. The Foundation is not material to the Hospital and is therefore not reported as a component unit of the Hospital.

b. Summary of Significant Accounting Policies

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

Enterprise fund accounting – The Hospital's accounting policies conform to GAAP as applicable to proprietary funds of governments. The Hospital uses enterprise fund accounting. Revenue and expenses are recognized on the accrual basis using the economic resources measurement focus.

Cash and cash equivalents – Cash and cash equivalents include highly liquid investments with original maturity dates of three months or less.

Prepaid expenses – Prepaid expenses are expenses paid during the year relating to expenses incurred in future periods. Prepaid expenses are amortized over the expected benefit period of the related expense. Prepaid expenses include prepaid insurance and other expenses.

Inventories – Inventories are stated at cost on the first-in, first-out method. Inventories consist of pharmaceutical, medical-surgical, and other supplies used in the operation of the Hospital.

1. Reporting Entity and Summary of Significant Accounting Policies (continued):

b. Summary of Significant Accounting Policies (continued)

Budgets – The Hospital is required to prepare and adopt an annual operating budget in accordance with the state of Oregon Health District Law. This budget is presented differently, in some respects, from GAAP. The differences are primarily that nonoperating transactions such as interest income, interest expense, and contributions are considered operating expenses and revenues for budgetary purposes.

Restricted cash and cash equivalents – Restricted investments consist of amounts restricted for debt reserves. These are cash deposits in the Oregon State Treasury Local Government Investment Pool (LGIP), which are required to be maintained in a debt service reserve account by the Hospital's loan agreement with the Umpqua Bank. As of June 30, 2025 and 2024, the noncurrent restricted cash and cash investments were $399,279 and $402,282, respectively.

Accrued compensation and related liabilities – Accrued compensation and related liabilities includes accruals for compensated absences related to paid time off. The Hospital's employees earn paid time off (PTO) at varying rates, depending on years of service. Employees can accumulate unused PTO from one calendar year to the next with a maximum of 360 hours. All unused PTO is paid to employees in cash upon their termination of employment from the Hospital, if proper notice has been given. All staff covered by Teamsters Local 206 union can earn up to 450 hours. All staff covered by United Food and Commercial Workers union Local 555 can earn up to 360 hours. In addition, upon request, the Hospital has the discretion to cash out a current employee's unused PTO at the end of October down to 40 hours in December. Accruals for vacation are fully vested and are calculated by multiplying the vacation hours earned by the employee wage rates for each employee. For all accruals for compensated absences, payroll-related expenses, such as employer payroll taxes and retirement contributions, that relate to the compensated absences are also estimated and accrued.

Net position – Net position of the Hospital is classified into three components. *Net investment in capital assets* consists of capital assets net of accumulated depreciation and reduced by the balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net position* is noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital. *Unrestricted net position* is the remaining net position that does not meet the definition of *net investment in capital assets* or *restricted net position.*

Restricted resources – When the Hospital has both restricted and unrestricted resources available to finance a particular program, it is the Hospital's policy to use restricted resources before unrestricted resources.

Operating revenues and expenses – The Hospital's statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions, including grants for specific operating activities associated with providing healthcare services — the Hospital's principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs.

1. Reporting Entity and Summary of Significant Accounting Policies (continued):

b. Summary of Significant Accounting Policies (continued)

Grants and contributions – From time to time, the Hospital receives grants from government entities and others as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts restricted for capital acquisitions are reported after nonoperating revenues and expenses. Grants that are restricted for specific projects or purposes related to the Hospital's operating activities are reported as operating revenue. Grants that are used to subsidize operating deficits are reported as nonoperating revenue. Contributions, except for capital contributions, are reported as nonoperating revenue.

Change in accounting principle – In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. The objective of this statement is to update the recognition and measurement guidance for compensated absences. The Hospital adopted Statement No. 101 during the year ended June 30, 2025. See Note 1 for additional information on the compensated absences liability recognized by the Hospital. This change in accounting principle resulted in additional accrued paid time off of $150,000 being recognized at June 30, 2025, 2024, and 2023. Net position as of June 30, 2023, decreased by $150,000. The change in accounting principle had no impact on change in net position in 2025 or 2024.

Subsequent events – The Hospital has evaluated subsequent events through November 19, 2025, the date on which the financial statements were available to be issued.

2. Bank Deposits and Investments:

As of June 30, 2025 and 2024, the Hospital had deposits invested in various financial institutions in the form of operating cash and cash equivalents in the amounts of $4,299,767 and $1,218,272, respectively. The Hospital is required by ORS Chapter 295 (ORS 295) to maintain any deposit accounts in financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) coverage at certain qualified financial institutions. As of and for the years ended June 30, 2025 and 2024, all of the Hospital's deposits in financial institutions in excess of FDIC coverage were maintained at qualified financial institutions.

ORS 295 governs the collateralization of Oregon public funds. Oregon's Public Funds Collateralization Program (the PFCP) was created by the Oregon State Treasurer (the OST) to facilitate bank depository, custodian, and public official compliance with ORS 295. Under the PFCP, which created a shared liability structure for participating depositories, these bank depositories are required to pledge collateral against any public funds' deposits in excess of deposit insurance amounts. Based on information the banks are required to report quarterly, the PFCP calculates each depository bank's minimum collateral (maximum liability) that must be pledged with the custodian for the next quarter. The OST can require pledged collateral to be 10 percent to 110 percent of the bank depository's uninsured public fund deposits. Federal Home Loan Bank is the agent of the depository. The pledged securities are designated as subject to the pledge agreement between the depository bank, Federal Home Loan Bank (the custodian bank), and the OST, and are held for the benefit of the OST on behalf of the public depositors.

2. Bank Deposits and Investments (continued):

ORS Chapter 294 authorizes municipal governments to invest their funds in a variety of investments including federal, state, and local government debt obligations; time deposit accounts, certificates of deposit, and savings accounts in qualified public depositories; the State of Oregon local government investment pool; and certain other investments. The Hospital's investment policy does not further limit the types of investments the Hospital may invest in.

Local Government Investment Pool – The cash and cash equivalents recorded in the LGIP is included in Oregon Short-Term Fund (OSTF) and the LGIP is not subject to fair value measurement under GASB 72 as the OSTF is an external government investment pool and the pool is not registered with the Securities and Exchange Commission. The Oregon Investment Council, with advice from the treasurer and OSTF board, adopts the policy for how the money held in the OSTF can be invested. As of June 30, 2025, the policy limited investments to Grade "A" investments including but not limited to U.S. Treasury, U.S. Agencies, corporate bonds, commercial paper, and foreign governments. A portion of the assets invested in the LGIP at June 30, 2025 and 2024, are included in cash and cash equivalents on the statements of net position. As of June 30, 2025 and 2024, the Hospital had $432,866 and $412,268 invested in the LGIP, respectively.

Interest rate risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Hospital's exposure to interest rate risk is minimal as the majority of its investments have a maturity of less than one year.

Credit risk – Credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization, such as Moody's Ratings. The Hospital's investments in such obligations are in government investment funds, certificates of deposit, and money markets. The Hospital believes there is minimal credit risk with these obligations at this time. The LGIP is not rated, and the investments in the LGIP are not subject to the collateralization requirements of ORS 295.

Custodial credit risk – Custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer), the Hospital will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Hospital's investments are generally held by qualified financial institutions or government agencies. The Hospital believes there is minimal custodial credit risk with its investments at this time. Hospital management monitors the entities which hold the various investments to ensure they remain in good standing.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the Hospital's investment in a single issuer. The Hospital believes there is minimal concentration of credit risk with its investments at this time. Hospital management monitors the entities which hold the various investments to ensure they remain in good standing.

3. Patient Accounts Receivable:

Patient accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectibility of patient accounts receivable, the Hospital analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which include both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Hospital records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The Hospital's allowance for uncollectible accounts for self-pay patients increased due to the decreased collectibility of self-pay accounts. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

Patient accounts receivable reported as current assets by the Hospital consisted of these amounts:

		2025		2024
Receivables from patients and other insurance carriers	$	**2,936,244**	$	2,612,150
Receivables from Medicare		**2,759,720**		2,510,997
Receivables from Medicaid		**838,087**		750,308
Total patient accounts receivable		**6,534,051**		5,873,455
Less allowance for uncollectible accounts		**1,208,983**		862,157
Patient accounts receivable, net	$	**5,325,068**	$	5,011,298

4. Property Taxes:

The Douglas County (the County) Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Taxes are levied annually on July 1 on property values listed as of the prior January 1. Remaining property tax balances due to the County after May 15 are considered delinquent. Collections are distributed monthly to the Hospital by the County Treasurer.

Property taxes are recorded as receivables when levied. Since state law allows for sale of property for failure to pay taxes, no estimate of uncollectible taxes is made.

For the year ended June 30, 2025, the Hospital levied property taxes at the rate of $3.9729 per $1,000 of assessed property value and generated approximately $2,600,000 in property tax revenue. For the year ended June 30, 2024, the Hospital levied property taxes at the rate of $3.9729 per $1,000 of assessed property value and generated approximately $2,500,000 in property tax revenue.

5. Capital Assets:

All capital assets, other than land and construction in progress, are being depreciated or amortized (in the case of right-of-use assets and subscription assets), using the straight-line method over the shorter period of the right-of-use agreement term or the estimated useful life of the capital asset. Amortization from right-of-use leases and subscription liabilities is included in depreciation and amortization in the financial statements. Expenditures for maintenance and repairs are expensed as incurred; betterments and major renewals are capitalized. Useful lives have been estimated as follows:

Land improvements	2-20 years
Buildings and improvements	5-40 years
Fixed equipment	10-20 years
Movable equipment	2-20 years
Lease right-of-use assets – buildings	2-7 years
Lease right-of-use assets – equipment	2-7 years
Subscription right-of-use assets	2-7 years

The Hospital capitalizes assets whose costs exceed $5,000 and with an estimated useful life of at least two years; lesser amounts are expensed. Capital assets are reported at historical cost or their estimated fair value at the date of donation. When such assets are disposed of, the related costs and accumulated depreciation or amortization are removed from the accounts, and the resulting gain or loss is classified in nonoperating revenues or expenses.

Capital asset activity was as follows:

	Balance June 30, 2024	Additions	Retirements	Transfers	Balance June 30, 2025
Nondepreciable capital assets					
Land	$ 402,197	$ -	$ -	$ -	$ **402,197**
Construction in progress	4,257	30,563	-	(4,257)	**30,563**
Total nondepreciable capital assets	406,454	30,563	-	(4,257)	**432,760**
Capital assets being depreciated or amortized					
Land improvements	547,187	-	-	-	**547,187**
Buildings and improvements	9,651,846	-	-	-	**9,651,846**
Fixed equipment	594,738	9,480	-	-	**604,218**
Movable equipment	6,304,623	412,345	(156,256)	200,708	**6,761,420**
Lease equipment right-of-use assets	1,815,717	205,564	(642,655)	(196,451)	**1,182,175**
Subscription assets	818,862	410,316	(255,065)	-	**974,113**
Total capital assets being depreciated or amortized	19,732,973	1,037,705	(1,053,976)	4,257	**19,720,959**
Less accumulated depreciation and amortization for					
Land improvements	362,235	21,165	-	-	**383,400**
Buildings and improvements	7,886,827	195,810	-	-	**8,082,637**
Fixed equipment	492,768	26,004	-	-	**518,772**
Movable equipment	4,764,921	583,482	(151,855)	196,451	**5,392,999**
Lease equipment right-of-use assets	841,002	227,841	(353,534)	(196,451)	**518,858**
Subscription assets	482,550	261,685	(255,065)	-	**489,170**
Total accumulated depreciation or amortized	14,830,303	1,315,987	(760,454)	-	**15,385,836**
Total capital assets being depreciated or amortized, net	4,902,670	(278,282)	(293,522)	4,257	**4,335,123**
Capital assets, net	**$ 5,309,124**	**$ (247,719)**	**$ (293,522)**	**$ -**	**$ 4,767,883**

5. Capital Assets (continued):

	Balance June 30, 2023	Additions	Retirements	Transfers	Balance June 30, 2024
Capital assets not being depreciated					
Land	$ 402,197	$ -	$ -	$ -	$ 402,197
Construction in progress	56,483	12,503	-	(64,729)	4,257
Total capital assets not being depreciated	458,680	12,503	-	(64,729)	406,454
Capital assets being depreciated or amortized					
Land improvements	547,187	-	-	-	547,187
Buildings and improvements	9,545,387	102,713	(49,942)	53,688	9,651,846
Fixed equipment	594,738	-	-	-	594,738
Movable equipment	5,731,048	364,337	(12,747)	221,985	6,304,623
Lease equipment right-of-use assets	2,267,151	203,799	(444,289)	(210,944)	1,815,717
Subscription assets	879,469	-	(60,607)	-	818,862
Total capital assets being depreciated or amortized	19,564,980	670,849	(567,585)	64,729	19,732,973
Less accumulated depreciation and amortization for					
Land improvements	333,197	29,038	-	-	362,235
Buildings and improvements	7,701,687	197,209	(12,069)	-	7,886,827
Fixed equipment	467,774	24,994	-	-	492,768
Movable equipment	4,030,363	535,025	(11,411)	210,944	4,764,921
Lease equipment right-of-use assets	1,083,476	408,543	(440,073)	(210,944)	841,002
Subscription assets	300,860	242,297	(60,607)	-	482,550
Total accumulated depreciation or amortization	13,917,357	1,437,106	(524,160)	-	14,830,303
Total capital assets being depreciated or amortized, net	5,647,623	(766,257)	(43,425)	64,729	4,902,670
Capital assets, net	**$ 6,106,303**	**$ (753,754)**	**$ (43,425)**	**$ -**	**$ 5,309,124**

Construction in progress on June 30, 2025, consisted of retail pharmacy architecture fees and MRI project fees. The retail pharmacy has been placed in service in November 2025 with costs to complete of $240,000. The MRI project has stopped for an undetermined amount of time due to the state of Oregon restrictions with an unknown cost of completion.

6. Noncurrent Liabilities:

A schedule of balances and changes in the Hospital's noncurrent liabilities follows:

	Balance June 30, 2024	Additions	Reductions	Balance June 30, 2025	Amounts Due Within One Year
Long-term debt					
Umpqua bank	$ 944,952	$ -	$ (232,867)	$ 712,085	$ **239,199**
Douglas County	97,485	-	(3,839)	93,646	-
Total long-term debt	1,042,437	-	(236,706)	805,731	**239,199**
Lease and subscription liabilities	1,146,048	632,256	(783,839)	994,465	**377,077**
Total noncurrent liabilities	$ 2,188,485	$ 632,256	$ (1,020,545)	$ 1,800,196	$ **616,276**

	Balance June 30, 2023	Additions	Reductions	Balance June 30, 2024	Amounts Due Within One Year
Long-term debt					
Umpqua bank	$ 1,171,723	$ -	$ (226,771)	$ 944,952	$ **232,938**
Douglas County	97,485	-	-	97,485	-
Total long-term debt	1,269,208	-	(226,771)	1,042,437	**232,938**
Lease and subscription liabilities	1,478,720	233,252	(565,924)	1,146,048	**504,347**
Medical malpractice claims liability	420,400	-	(420,400)	-	-
Total noncurrent liabilities	$ 3,168,328	$ 233,252	$ (1,213,095)	$ 2,188,485	$ **737,285**

Note payable to Umpqua Bank – In May 2013, the Hospital entered into a loan agreement with Umpqua Bank for $3,338,800 to refinance prior debt. Payments are due in monthly installments of $21,319 with interest at 2.62 percent through June 2028. As a condition of the loan, the Hospital must maintain a debt service reserve fund and meet certain financial ratio covenants.

Note payable to Douglas County – In April 2006, the Hospital entered into a loan agreement (the County Loan Agreement) with the County to borrow up to $850,000 to assist an unrelated third-party (the Developer) in developing certain home sites in a subdivision (the Subdivision) in Reedsport, Oregon. In connection with this development, certain roads and infrastructure were built so that an assisted living facility could potentially be constructed on some undeveloped land that was donated to the Hospital by the Developer. Borrowings under the County Loan Agreement were to accrue interest and are secured by the Subdivision, as well as the underlying land. Principal and interest amounts were due based on the net sales proceeds of home sites sold by the Developer (i.e., as sales were made, the proceeds, net of closing costs and realtor fees, were to be remitted by the Developer to the Hospital and then to the County and applied against outstanding accrued interest and borrowings under the County Loan Agreement).

6. Noncurrent Liabilities (continued):

Any remaining unpaid amounts owed under the County Loan Agreement were originally due and payable in April 2021. In conjunction with entering into the County Loan Agreement, the Hospital entered into a development agreement with the Developer, whereby the Hospital loaned the Developer $1,050,000, the Developer agreed to remit all home site net sales proceeds to the Hospital until all outstanding borrowings under the County Loan Agreement (including interest) have been repaid, and the Developer granted the Hospital a security interest in the Subdivision. Any remaining unpaid amounts owed by the Developer to the Hospital were originally due and payable in April 2021. During the year ended June 30, 2018, the County Loan Agreement was modified (the Modification) such that if the Hospital repays the County $612,000 by May 30, 2028, the debt to the County will be deemed to be fully repaid. If $612,000 is not paid by the Hospital to the County by May 30, 2028, the amount owed to the County would be approximately $1,134,000 (approximately $845,000 originally loaned from the County to the Hospital plus accrued interest as of June 30, 2017, of approximately $289,000) (as reduced by any subsequent payments). Also, under the Modification, interest is no longer being charged by the County under the County Loan Agreement. Similarly, the Hospital entered into a Modification of its agreement with the Developer such that if the Developer pays the Hospital $612,000 by May 30, 2028, the receivable from the Developer will be deemed to be fully repaid. Also, if the Developer does not pay the Hospital $612,000 by May 30, 2028, this Modification will be considered to be null and void, and the Developer would owe the Hospital approximately $1,134,000 (as reduced by any subsequent payments).

During the years ended June 30, 2025 and 2024, there were no home sites sold and as such, the Developer did not remit anything to the Hospital and the receivable from the Developer and the payable to the County remained at approximately $97,000. In the accompanying statements of net position, amounts due from the Developer are included in other assets, and amounts due to the County are included in long-term obligations. In the event of a default by the Hospital, all amounts due under the Modification may, at the County's discretion, become immediately due and payable by the Hospital.

Lease and subscription liabilities – The Hospital has other lease and subscription liabilities payable to various lenders in the amount of $994,465, due in monthly installments between $322 to $14,527, including interest from 2 percent to 12 percent, through November 2029.

The Hospital's lease and subscription agreements do not contain any material residual value guarantees or material restrictive covenants.

6. Noncurrent Liabilities (continued):

Scheduled principal and interest payments are as follows:

Years Ending June 30,	Long-term Debt		
	Principal	Interest	Total
2026	$ 239,199	$ 16,013	$ 255,212
2027	245,629	9,583	255,212
2028	320,903	2,989	323,892
Total	**$ 805,731**	**$ 28,585**	**$ 834,316**

Years Ending June 30,	Lease and Subscription Liabilities		
	Principal	Interest	Total
2026	$ 377,077	$ 47,108	$ 424,185
2027	354,822	31,094	385,916
2028	160,529	14,459	174,988
2029	84,091	5,989	90,080
2030	17,946	1,301	19,247
Total	**$ 994,465**	**$ 99,951**	**$ 1,094,416**

7. Defined Contribution Retirement Plan:

Eligible employees may make elective contributions to the Hospital's defined contribution retirement plan, Lower Umpqua Hospital District Employees' Savings Plan (the Plan), a 403(b) Savings Plan. The Plan covers substantially all of the Hospital's employees who have reached age 21 and have completed one year of employment with at least 1,000 hours of service.

The Hospital can make discretionary contributions to the plan on behalf of the employees.

During the years ended June 30, 2025 and 2024, the Hospital contributed 5 percent of eligible employee's compensation to the Plan which resulted in approximately $726,000 and $613,000 paid by the Hospital for 2025 and 2024, respectively. Participants are not vested in any of the Hospital's contributions until they have attained three years of service, at which time they become 100 percent vested. The Plan is administered by the Hospital and can be amended or terminated by the Hospital at any time. Forfeitures of nonvested contributions are used to reduce plan expenses.

Participant contributions to the Plan during the years ended June 30, 2025 and 2024, were approximately $850,000 and $749,000, respectively.

8. Net Patient Service Revenue:

The Hospital recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients who do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services provided. The Hospital's provisions for bad debts and writeoffs has increased compared to prior year due to the decreased collectibility of self pay accounts. The Hospital has not changed its charity care or uninsured discount policies during the years ended June 30, 2025 or 2024. The Hospital does not maintain a material allowance for uncollectible accounts from third-party payors, nor did it have significant writeoffs from third-party payors. Patient service revenue, net of contractual adjustments and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows:

	2025	2024
Patient service revenue (net of contractual adjustments and discounts):		
Medicare	**$ 20,948,775**	$ 17,721,955
Medicaid	**7,469,610**	5,998,714
Other third-party payors	**9,495,126**	8,017,083
Patients	**667,580**	633,225
	38,581,091	32,370,977
Less:		
Charity care	**344,788**	221,914
Provision for bad debts	**1,081,654**	603,927
Net patient service revenue	**$ 37,154,649**	$ 31,545,136

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

- ***Medicare*** – The Hospital is classified as a critical access hospital and is reimbursed for most inpatient, outpatient, and rural health clinic services at cost with final settlement determined after submission of annual cost reports by the Hospital and subject to audits thereof by the Medicare administrative contractor. Physician services are reimbursed on a fee schedule.
- ***Medicaid*** – For patients covered by Medicaid, inpatient, outpatient, and rural health clinic services are paid at prospectively determined rates.
- ***Medicaid Managed Care*** – The Hospital is paid on a prospective rate for substantially all hospital services to Medicaid Managed Care beneficiaries. Rural health clinic services are paid on a prospectively set rate and reconciled to actual costs per visit. Nonrural health clinic services are paid under a fee schedule.

The Hospital also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

8. Net Patient Service Revenue (continued):

Laws and regulations governing Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Due to differences between original estimates and final settlements or revised estimates, net patient service revenue increased by approximately $181,000 in 2025 and $105,000 in 2024.

The Hospital provides charity care to patients who are financially unable to pay for the healthcare services they receive. The Hospital's policy is not to pursue collection of amounts determined to qualify as charity care. Accordingly, the Hospital does not report these amounts in net operating revenues or in the allowance for uncollectible accounts. The Hospital determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including salaries and wages, benefits, supplies, and other operating expenses, based on data from its costing system. The costs of caring for charity care patients for the years ended June 30, 2025 and 2024, were approximately $212,000 and $155,000, respectively.

9. CARES Act Employee Retention Credit:

In 2024, the Hospital claimed the CARES Act Employee Retention Credit (ERC) by amending its Form 941, Employer Quarterly Federal Tax Return, for the first three quarters for 2021. The Hospital used a consultant to assist them with the filing and claiming of the ERC. As per the contract, the Hospital is to pay the consultant 15 percent of the ERC when it is received. The Hospital anticipates receiving the ERC in the year ending June 30, 2026.

Laws and regulations concerning the ERC are complex and subject to varying interpretations. ERC claims may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Hospital's claim to the ERC, and it is not possible to determine the impact (if any) this would have upon the Hospital.

As of June 30, 2024, the Hospital recorded a receivable in the amount of $3,887,164 and a payable to the consultant in the amount of $583,075 in the accompanying statements of net position, and the corresponding nonoperating revenue of $3,887,164 and nonoperating expense in the amount of $583,075 in the accompanying statements of revenues, expenses, and changes in net position. As of June 30, 2025, the Hospital recorded an additional receivable for interest of approximately $467,000 and corresponding nonoperating revenue of $467,000 in the accompanying statements of revenues, expenses, and changes in net position.

10. Risk Management and Contingencies:

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

10. Risk Management and Contingencies (continued):

Medical malpractice claims – The Hospital has professional liability insurance with UMIA. The UMIA policy provides protection on a "claims-made" basis whereby only malpractice claims reported to the insurance carrier in the current year are covered by the current policies. If there are unreported incidents which result in a malpractice claim in the current year, such claims would be covered in the year the claim was reported to the insurance carrier only if the Hospital purchased claims-made insurance in that year or the Hospital purchased "tail" insurance to cover claims incurred before but reported to the insurance carrier after cancellation or expiration of a claims-made policy. The malpractice insurance provides $1,000,000 per claim of primary coverage with an annual aggregate limit of $5,000,000.

The Hospital also has excess professional liability insurance with UMIA on a claims-made basis. The excess malpractice insurance provides $2,000,000 per claim of primary coverage with an annual aggregate limit of $2,000,000.

During the year ended June 30, 2024, the Hospital elected to write off the estimated liability for incurred but not reported medical malpractice claims of approximately $420,000. This write off was offset against the insurance expense account, resulting in a one-time credit balance in this account. Insurance expense is grouped with other expense in the accompanying statements of net position.

		2024
Balance of insurance expense prior to write off	$	347,549
Write off of IBNR medical malpractice liability		(420,411)
Balance of insurance expense after write off	**$**	**(72,862)**

Industry regulations – The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditations, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity continues with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes no significant violations have been made by the Hospital.

While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

Collective bargaining agreement (CBA) – As of June 30, 2025, approximately 37 percent and 18 percent of the Hospital's employees are covered under CBAs with the United Food and Commercial Workers union (the UFCW) and the Teamsters Local 206 union (the Teamsters), respectively. As of June 30, 2024, approximately 50 percent and 21 percent of the Hospital's employees are covered under CBAs with the UFCW and the Teamsters, respectively. The CBA with the UFCW expires on June 30, 2027, and the CBA with the Teamsters expires on May 31, 2028.

11. Concentrations:

Patient accounts receivable – The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The majority of these patients are geographically concentrated in and around the Reedsport, Oregon, area.

The mix of receivables from patients was as follows:

	2025	2024
Medicare	**50 %**	48 %
Medicaid	**17**	18
Other third-party payors	**21**	25
Patients	**12**	9
	100 %	100 %

Physicians – The Hospital is dependent on local physicians practicing in its service area to provide admissions and utilize hospital services on an outpatient basis. A decrease in the number of physicians providing these services or change in their utilization patterns may have an adverse effect on the Hospital's operations.

SUPPLEMENTAL INFORMATION

Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
Schedule of Resources and Expenditures – Budget vs. Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2025

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenue			
Net patient service revenue	$ 33,964,953	$ 37,154,649	$ 3,189,696
Other	681,694	763,918	82,224
Pharmacy	3,130,703	3,973,808	843,105
Provider tax revenue	1,101,033	1,034,660	(66,373)
Grants	-	392,661	392,661
Total operating revenues	38,878,383	43,319,696	4,441,313
Operating expenses			
Salaries and wages	17,033,641	17,746,739	(713,098)
Employee benefits	6,209,571	6,266,778	(57,207)
Professional fees and purchased services	8,592,802	8,631,795	(38,993)
Supplies	4,990,327	6,352,213	(1,361,886)
Utilities	353,925	330,184	23,741
Repairs and maintenance	391,968	493,464	(101,496)
Depreciation and amortization	1,496,049	1,315,987	180,062
Provider tax	1,101,033	1,034,660	66,373
Rent	228,068	411,887	(183,819)
Other	1,178,545	1,495,029	(316,484)
Total operating expenses	41,575,929	44,078,736	(2,502,807)
Operating loss	(2,697,546)	(759,040)	1,938,506
Nonoperating revenues (expenses)			
Taxation	2,449,870	2,608,462	158,592
Other revenues and expenses, net	309,309	428,493	119,184
Total nonoperating revenues, net	2,759,179	3,036,955	277,776
Change in net position	**$ 61,633**	**$ 2,277,915**	**$ 2,216,282**

ADDITIONAL REQUIRED REPORTS

Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
Audit Comments and Disclosures Required by Oregon State Regulations
Year Ended June 30, 2025

Audit Comments and Disclosures Required by State Regulations

Oregon Administrative Rules 162-010-000 through 162-010-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments, and disclosures required in audit reports. The required statements and schedules are set forth in the preceding sections of this report. Required comments and disclosures related to the audit of such statements and schedules are set forth in the following pages.

ACCOUNTANTS | ADVISORS

INDEPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS

Board of Directors
Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
Reedsport, Oregon

We have audited the basic financial statements of Lower Umpqua Hospital District doing business as Lower Umpqua Hospital (the Hospital) as of and for the year ended June 30, 2025, and have issued our report thereon dated November 19, 2025. We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the provisions of the *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

Compliance

As part of obtaining reasonable assurance about whether the Hospital's financial statements as of and for the year ended June 30, 2025, are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, including the provisions of Oregon Revised Statutes (ORS) as specified in Oregon Administrative Rules (OAR) 162-010-000 through 162-010-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to, the following:

- Accounting records and internal control
- Public fund deposits
- Indebtedness
- Budget
- Insurance and fidelity bonds
- Programs funded from outside sources
- Investments
- Public contracts and purchasing

In connection with our testing, nothing came to our attention that caused us to believe the Hospital was not in substantial compliance with certain provisions of laws, regulations, contracts and grant agreements, including the provisions of the ORS as specified in OAR 162-010-000 through 162-010-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations.*

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OAR 162-010-0230 Internal Control

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 and significant deficiencies may exist that have not been identified.

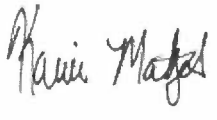
Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. Accordingly, this communication is not suitable for any other purpose.

Restriction on Use

This report is intended solely for the information and use of the Board of Directors; management; others within the Hospital; and the Secretary of State, Oregon Audits Division, and is not intended to be, and should not be, used by anyone other than these specified parties.

DZA PLLC



Kami Matzek, Owner
Spokane Valley, Washington
November 19, 2025

ACCOUNTANTS | ADVISORS

INDEPENDENT AUDITORS' 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 Directors
Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
Reedsport, Oregon

We have audited, in accordance with the 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, the financial statements of Lower Umpqua Hospital District doing business as Lower Umpqua Hospital (the Hospital) as of and for the year ended June 30, 2025, and the related notes to financial statements, which collectively comprise the Hospital's basic financial statements, as listed in the table of contents, and have issued our report thereon dated November 19, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered the Hospital'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 Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

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

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

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and 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 Hospital's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DZA PLLC

Spokane Valley, Washington
November 19, 2025

Lower Umpqua Hospital District
doing business as Lower Umpqua Hospital
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2025

The audit for the year ended June 30, 2024, reported no audit findings, nor were there any unresolved findings from periods prior to June 30, 2023. Therefore, there are no matters to report in this schedule for the year ended June 30, 2025.

Attachment I

Exhibit 1.f.vi

HCMO-1c: Facilities and Location Form

Health Care Market Oversight (HCMO) Program
HCMO-1c: Facilities and Locations Form

List all health care facilities and locations associated with parties to the proposed material change transaction that currently operate in Oregon. Please add additional rows or pages as needed. Submit the completed form in a portable document form (pdf) to hcmo.info@oha.oregon.gov. This form will be published.

For each location, include the location or facility name, street address, services provided at the location, and service area zip codes. Service area refers to the smallest number of zip codes from which the location or facility draws at least 75% of its patients, based on home zip codes of patients. Add rows as needed for additional locations.

Locations associated with Party A

Entity Name: Lower Umpqua Hospital District

Location/ Facility Name	Street Address	Services provided at location	Service area zip codes
Lower Umpqua Hospital	600 Ranch Road, Reedsport, Oregon 97467	Hospital services (inpatient services, outpatient services, emergency services, swing bed services, surgical services, imaging services, laboratory services, orthopedic services, rehabilitation services, and other services)	97467, 97449, 97473, 97441
Dunes Family Health Care Clinic	620 Ranch Road, Reedsport, Oregon 97467	Primary care services	97467, 97449, 97473, 97441
Reedsport Medical Clinic	385 Ranch Road, Reedsport, Oregon 97467	Specialty care services (cardiology services, dermatology services, ENT	97467, 97449, 97473, 97441

Location/ Facility Name	Street Address	Services provided at location	Service area zip codes
		services, pain management services, podiatry services)	
Lower Umpqua Hospital Same-Day Clinic	620 Ranch Road, Reedsport, Oregon 97467	Primary care services	97467, 97449, 97473, 97441
Lower Umpqua Hospital Specialty Clinic	385 Ranch Road, Reedsport, Oregon 97467	Specialty care services (cardiology services, dermatology services, ENT services, pain management services, podiatry services)	97467, 97449, 97473, 97441
Lower Umpqua Retail Pharmacy	312 Fir Avenue, Reedsport, Oregon 97467	Retail pharmacy services	97467, 97449, 97473, 97441
Lower Umpqua Emergency Medical Services	600 Ranch Road, Reedsport, Oregon 97467	Emergency medical services	97467, 97449, 97473, 97441
Lower Umpqua Eye Clinic	780 Winchester Avenue, Reedsport, Oregon 97467	Optometry services and cataract surgery services	97467, 97449, 97473, 97441
Click or tap here to enter text.	Click or tap here to enter text.	Click or tap here to enter text.	Click or tap here to enter text.