



Consolidated Financial Statements
September 30, 2024 and 2023

Jefferson Community Health Center, Inc.
d/b/a Jefferson Community Health & Life
and Affiliate

Jefferson Community Health Center, Inc. d/b/a Jefferson Community Health & Life
and Affiliate

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September 30, 2024 and 2023

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CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Board of Directors
Jefferson Community Health Center, Inc. d/b/a Jefferson Community Health & Life and Affiliate
Fairbury, Nebraska

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Jefferson Community Health Center, Inc. d/b/a Jefferson Community Health & Life and Affiliate (Health Center), which comprise the consolidated balance sheets as of September 30, 2024 and 2023, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Health Center as of September 30, 2024 and 2023, and the results of its operations, changes in net assets, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Health Center 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Health Center adopted the provisions of FASB Accounting Standards Update 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as of October 1, 2023 using the modified retrospective approach. 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 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 Health Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance 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 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, 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 Health Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Health Center's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating balance sheet, consolidating statement of operations, consolidating statement of changes in net assets, and financial and statistical highlights are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Eide Bailly LLP

Omaha, Nebraska
January 30, 2025

Jefferson Community Health Center, Inc. d/b/a Jefferson Community Health & Life
and Affiliate

Consolidated Balance Sheets
September 30, 2024 and 2023

	2024	2023
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,687,940	\$ 2,077,580
Receivables		
Patients	3,728,248	3,179,430
Related-party	114,182	99,373
Other	5,197,424	5,421,049
Inventories	586,307	562,966
Prepaid expenses	681,175	512,900
Estimated third-party payor settlements - Medicare and Medicaid	-	368,977
Total current assets	13,995,276	12,222,275
Investments Limited as to Use	17,348,280	15,487,530
Note Receivable	5,161,689	5,161,689
Property and Equipment, Net	18,050,484	18,649,835
Finance Lease Right-of-Use Assets	791,164	965,338
Investment in Joint Venture	1,532,030	1,348,011
Total assets	\$ 56,878,923	\$ 53,834,678
Liabilities and Net Assets		
Current Liabilities		
Current portion of long-term debt	\$ 331,434	\$ 321,517
Current portion of finance lease liability	252,428	244,720
Accounts payable		
Trade	1,521,891	2,128,593
Property and equipment	95,890	108,053
Accrued interest	77,062	854
Accrued salaries, vacation and benefits payable	1,633,308	1,714,555
Estimated third-party payor settlements - Medicare and Medicaid	501,000	-
Total current liabilities	4,413,013	4,518,292
Long-Term Debt, Net of Current Portion	14,534,069	14,735,270
Finance Lease Liability, Net of Current Portion	279,406	428,266
Total liabilities	19,226,488	19,681,828
Net Assets		
Without donor restrictions	37,289,312	33,827,353
With donor restrictions	363,123	325,497
Total net assets	37,652,435	34,152,850
Total liabilities and net assets	\$ 56,878,923	\$ 53,834,678

Jefferson Community Health Center, Inc. d/b/a Jefferson Community Health & Life
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Consolidated Statements of Operations
Years Ended September 30, 2024 and 2023

	2024	2023
Revenue Without Donor Restrictions		
Patient service revenue	\$ 30,877,172	\$ 28,444,224
Other revenue	3,606,392	6,850,094
Net assets released from restrictions used for operations	38,250	48,408
Total revenue without donor restrictions	34,521,814	35,342,726
Expenses		
Salaries and wages	15,910,865	14,811,285
Employee benefits	3,795,621	3,946,890
Supplies	5,121,969	4,674,262
Professional fees and purchased services	2,316,021	2,075,852
Repairs, maintenance and utilities	2,009,246	1,903,785
Other expenses	1,246,584	1,192,491
Depreciation and amortization	2,431,506	2,378,593
Interest	489,241	503,410
Total expenses	33,321,053	31,486,568
Operating Income	1,200,761	3,856,158
Other Income (Expense)		
Investment income	822,100	647,461
Change in unrealized gains and losses on investments, net	1,184,177	306,276
Gifts, grants and bequests	282,855	19,108
Fundraising expenses	(32,397)	(27,465)
Other income, net	2,256,735	945,380
Excess of Revenue over Expenses	3,457,496	4,801,538
Gifts Grants and Bequests for Purchase of Property and Equipment	4,463	11,291
Change in Net Assets without Donor Restrictions	\$ 3,461,959	\$ 4,812,829

Jefferson Community Health Center, Inc. d/b/a Jefferson Community Health & Life
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Consolidated Statements of Changes in Net Assets
Years Ended September 30, 2024 and 2023

	2024	2023
Net Assets without Donor Restrictions		
Operating income	\$ 1,200,761	\$ 3,856,158
Other income, net	2,256,735	945,380
Gifts, grants and bequests for purchase of property and equipment	4,463	11,291
Change in net assets without donor restrictions	3,461,959	4,812,829
Net Assets with Donor Restrictions		
Restricted gifts, grants and bequests	75,876	77,589
Net assets released from restrictions used for operations	(38,250)	(48,408)
Change in net assets with donor restrictions	37,626	29,181
Change in Net Assets	3,499,585	4,842,010
Net Assets, Beginning of Year	34,152,850	29,310,840
Net Assets, End of Year	\$ 37,652,435	\$ 34,152,850

Jefferson Community Health Center, Inc. d/b/a Jefferson Community Health & Life
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Consolidated Statements of Cash Flows
Years Ended September 30, 2024 and 2023

	2024	2023
Operating Activities		
Change in net assets	\$ 3,499,585	\$ 4,842,010
Adjustments to reconcile the change in net assets to net cash from operating activities		
Depreciation and amortization	2,431,506	2,378,593
Amortization of debt issuance costs	45,613	45,613
Gain on investment in joint venture	(184,019)	(216,503)
Change in unrealized gains and losses on investments, net	(1,184,177)	(306,276)
Restricted gifts, grants and bequests	(80,339)	(88,880)
Changes in assets and liabilities		
Receivables		
Patients	(548,818)	(415,093)
Related-party	(14,809)	(29,993)
Other	223,625	(4,309,257)
Inventories	(23,341)	(108,718)
Prepaid expenses	(168,275)	(139,424)
Estimated third-party payor settlements - Medicare and Medicaid	869,977	(462,083)
Accounts payable - trade	(606,702)	1,033,186
Accrued interest	76,208	(9,997)
Accrued salaries, vacation and benefits payable	(81,247)	318,856
Refundable advances	-	(200,000)
Net Cash from Operating Activities	4,254,787	2,332,034
Investing Activities		
Deposits to investments limited as to use	(9,692,742)	(14,711,936)
Withdrawals from investments limited as to use	8,965,000	7,159,000
Purchase of property and equipment	(1,627,750)	(2,009,247)
Net Cash Used for Investing Activities	(2,355,492)	(9,562,183)
Financing Activities		
Principal payments on long-term debt	(236,897)	(304,507)
Principal payments on finance leases	(183,546)	(244,718)
Restricted gifts, grants and bequests	80,339	88,880
Net Cash Used for Financing Activities	(340,104)	(460,345)
Net Change in Cash, Cash Equivalents, and Restricted Cash	1,559,191	(7,690,494)
Cash Cash Equivalents, and Restricted Cash - Beginning of Year	2,737,633	10,428,127
Cash Cash Equivalents, and Restricted Cash - End of Year	\$ 4,296,824	\$ 2,737,633
Reconciliation of Cash, Cash Equivalents, and Restricted Cash to Balance Sheets		
Cash and cash equivalents	\$ 3,687,940	\$ 2,077,580
Restricted cash in investments limited as to use	608,884	660,053
	\$ 4,296,824	\$ 2,737,633
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	\$ 367,420	\$ 467,794
Accounts payable for property and equipment	\$ 95,890	\$ 108,053
Lease liabilities for the acquisition of right to use assets	\$ 42,394	\$ -

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September 30, 2024 and 2023

Note 1 - Organization and Significant Accounting Policies

The following is a description of the organization and a summary of significant accounting policies of Jefferson Community Health Center, Inc. d/b/a Jefferson Community Health & Life and Affiliate (Health Center). These policies are in accordance with accounting principles generally accepted in the United States of America (GAAP).

Description of Organization and Principles of Consolidation

The consolidated financial statements (collectively, the financial statements) include the following entities:

- Jefferson Community Health and Life (JCH&L)
- JCHC Real Estate, Inc. (JCHC)

The Health Center located in Fairbury, Nebraska (a Nebraska corporation, not-for-profit), operates a 17-bed critical access hospital, a 40-bed long-term care facility, two rural health clinics, a 12,000 square-foot fitness center and a home health agency.

JCHC, a Nebraska not-for-profit corporation, was formed during 2022 as a supporting organization of the Health Center for the new market tax credits for the purposes of constructing the new clinic facility. This agreement enabled JCHC to enter into several federal and state qualified low income community investment (QLICI) financing agreements (Note 9) in order to finance the construction of the new clinic facility.

The financial statements include the accounts of these organizations (collectively referred to as the Health Center). All significant intercompany transactions and accounts have been eliminated in consolidation.

Industry Environment

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, accreditation, government healthcare program participation requirements, reimbursements for patient services, and Medicare and Medicaid fraud and abuse. 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 that the Health Center is in compliance with applicable government laws and regulations as they apply to the areas of fraud and abuse. While no regulatory inquiries have been made which are expected to have a material effect on the Health Center's financial statements, compliance with such laws and regulations is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

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Use of Estimates

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

Cash, Cash Equivalents, and Restricted Cash

Cash, cash equivalents, and restricted cash include certain investments in highly liquid debt instruments with original maturities of three months or less, which are available to meet working capital requirements and other current obligations. Amounts included as restricted cash represents amounts included in investments limited as to use.

Patient Receivables

The Health Center reports patient receivables for services rendered at amounts reflecting consideration to which the Health Center expects to be entitled to from third-party payors, patients and others. Payment for services is expected within thirty days of receipt of the billing. Accounts considered past due are sent to collection agencies when internal collection efforts have been unsuccessful. The Health Center does not charge interest on outstanding balances owed.

Patient accounts receivable are stated net of any explicit and implicit price concessions and then further reduced by an allowance for uncollectible accounts. In evaluating the collectibility of accounts receivable, the Health Center analyzes accounts for adverse changes in a patient's or third-party payor's ability to pay that may have occurred subsequent to recognition. Management regularly reviews specific data about receivable balances and is past history with similar cases to estimate explicit and implicit price concessions, and any allowances for uncollectible accounts.

Beginning and end of year patient receivables were as follows:

	2024	2023
Patient receivables, beginning of year	\$ 3,179,430	\$ 2,764,337
Patient receivables, end of year	3,728,248	3,179,430

Patient Account Financing Program (with full recourse)

The Health Center has entered into a patient account financing agreement with one local bank. Under this agreement, the Health Center can sell patient accounts to the bank, with full recourse. As of September 30, 2024 and 2023, the uncollected balance under this agreement was \$105,546 and \$130,467.

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Allowance for Credit Losses

The Health Center records credit losses for patient and other accounts receivable based on the current expected credit losses. Credit losses are recorded after consideration of any implicit or explicit price concessions. Management believes that the historical loss information it has compiled is a reasonable base on which to determine expected credit losses at September 30, 2024 because the composition of the patient and other receivables at those dates are consistent with that used in developing the historical credit loss percentages. Additionally, the Health Center has determined that current and reasonable forecasted economic conditions are consistent with the economic conditions included in the historical information. The allowance for credit losses at September 30, 2024 was \$0.

Other Accounts Receivable

The Health Center has other accounts receivable. As of September 30, 2024 and 2023, the balance is made up of the following:

	2024	2023
Employee retention credit and related interest receivable	\$ 4,507,253	\$ 4,100,061
Medical malpractice claims receivable	500,000	1,175,000
340B receivables	190,171	145,988
	\$ 5,197,424	\$ 5,421,049

Inventories

Inventories of drugs and other supplies are stated at the lower of cost (first-in, first-out) or net realizable value.

Investments Limited as to Use

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

Investments limited as to use include the following:

By Board of Directors – The Health Center has set aside assets for future capital improvements or specific expenditures, The board retains control of these assets, and may, at its discretion, subsequently use for other purposes.

By donor – These funds have been restricted by donors for endowment or specific purposes.

Under loan agreement – These funds are maintained according to the terms of the new market tax credit program.

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Notes Receivable

Note receivable at September 30, 2024 and 2023 relates to the New Markets Tax Credit Program (NMTCP) financing structure, are due from unrelated financial institutions, and have payment schedules timed to coincide with payments due under the Health Center's NMTCP note payable (see Note 9).

At September 30, 2024 and 2023, notes receivable from NMTCP totaled \$5,161,689.

Property and Equipment, Net

Property and equipment acquisitions are recorded at cost. All acquisitions of property and equipment over \$5,000 are capitalized. Depreciation is provided over the estimated life of each class of depreciable asset and is computed on the straight-line method based upon useful lives set forth using general guidelines from the American Hospital Association Guide for Estimated Useful Lives of Depreciable Hospital Assets.

Land improvements	15 - 20 years
Buildings	20 - 40 years
Equipment and furnishings	3 - 7 years

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

The Health Center's long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the expected cash flows is less than the carrying amount of the asset, a loss is recognized. No impairment was identified for the years ended September 30, 2024 and 2023.

Investment in Joint Venture

Investments in entities in which the Health Center has the ability to exercise significant influence over operating and financial policies but does not have operational control are recorded under the equity method of accounting. Under the equity method, the initial investment is recorded at cost and adjusted annually to recognize the members' share of earnings and losses of those entities, net of any additional investments or distributions. The members' share of net earnings or losses of the entities is included in other revenue.

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Group Health Insurance Costs

The Health Center is partially self-insured under its employee group health program, up to certain limits. Included in the accompanying consolidated statement of operations is a provision for premiums for excess coverage and payments for claims, including estimates of the ultimate costs for both reported claims and claims incurred but not yet reported at year-end.

Net Assets

The financial statements report the changes in and totals of each net asset class based on the existence or absence of donor restrictions, as described below:

Net assets without donor restrictions - are those net assets not subject to donor-imposed restrictions and may be expended for any purpose. Net assets without donor restrictions include undesignated net assets and net assets subject to designation by the Board of Directors.

Net assets with donor restrictions - are net assets subject to stipulations imposed by donors. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Patient Service Revenue

Patient service revenue is reported at the amount that reflects the consideration to which the Health Center expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others. It includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, the Health Center bills the patients and third-party payors several days after the services are performed and or the patient is discharged. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Health Center. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Health Center believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving inpatient acute, long-term care, outpatient, and clinic services. The Health Center measures the performance obligation associated with the inpatient acute and long-term care services from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. The Health Center measures the performance obligations for outpatient and clinic services over the patient encounter, which is generally short in duration. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided, and the Health Center does not believe it is required to provide additional goods and services to the patient.

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Because all of its performance obligations relate to contracts with a duration of less than one year, the Health Center has elected to apply the optional exemption and is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

The Health Center determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Health Center's policy, and or implicit price concessions provided to uninsured patients. The Health Center determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies and historical experience. The Health Center determines its estimate of implicit price concessions based on historical collection experience with various classes of patients.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Health Center provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. The Health Center estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts and implicit price concessions. Subsequent changes to the estimate of the transaction price are recorded as adjustments to patient service revenue in the period of change. For the years ended September 30, 2024 and 2023 no significant adjustments to revenue were recognized due to changes in estimates of implicit price concessions for performance obligations satisfied in prior years. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as credit loss expense.

Consistent with the Health Center's mission, care is provided to patients regardless of their ability to pay. Therefore, the Health Center has provided implicit price concessions to uninsured patients and patients with uninsured balances (copays and deductibles). The implicit price concessions included in estimating transaction price represent the difference between amounts billed to patients and the amounts the Health Center expects to collect based on collection history with those patients.

The Health Center has elected the practical expedient and does not adjust the estimated amount of consideration from patients and third-party payors for the effects of a significant financing component due to the Health Center's expectation that the period between the time service is provided to the patient and the time that the patient or third-party payor pays for that service will be one year or less. However, the Health Center does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. In these cases, the financing component is deemed to be insignificant to the contract.

The Health Center has applied the practical expedient and all incremental contract acquisition costs are expensed as they are incurred as the amortization period of the asset that the Health Center would otherwise have recognized is one year or less in duration.

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Patient Financial Assistance

The Health Center provides care to patients who meet certain criteria under its financial assistance (charity care) policy without charge or at amounts less than its established rates. Because the Health Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Management's disclosure of charity care costs is described in Note 3.

The Health Center is dedicated to providing comprehensive healthcare services to all segments of society, including the aged and otherwise economically disadvantaged. In addition, the Health Center provides a variety of community health services at or below cost.

Donor-Restricted Gifts

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

Performance Indicator

The consolidated statement of operations includes excess of revenue over expenses as a performance indicator. Changes in net assets without donor restrictions which are excluded from the performance indicator, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Functional Allocation of Expenses

The costs of providing healthcare services and supporting services activities have been summarized on the basis of natural classification in the consolidated statement of operations. Note 17 presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Health Center is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Internal Revenue Service has established standards to be met to maintain the Health Center's tax exempt status. In general, such standards require the Health Center to meet a community benefits standard and comply with various laws and regulations.

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The Health Center accounts for uncertainties in accounting for income tax assets and liabilities using guidance included in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, *Income Taxes*. The Health Center recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. At September 30, 2024 and 2023, the Health Center had no uncertain tax positions accrued.

Adoption of New Accounting Standard

As of October 1, 2023, the Health Center adopted Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASU 2016-13)*, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost, including trade and loan receivables, and held to maturity debt securities. CECL requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The update also requires that credit losses on available-for-sale debt securities be presented as an allowance rather than a write-down of the security. This standard provides financial statement users with more decision-useful information about the expected losses on financial instruments. The Health Center adopted ASU 2016-13 using the modified retrospective review method for all financial assets measured at amortized cost. Results for reporting periods beginning after October 1, 2023, are presented under Topic 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The adoption of the new standard did not materially impact the Health Center's statements of operations or cash flows.

Subsequent Events

The Health Center considered events occurring through January 30, 2025 for recognition or disclosure in the financial statements as subsequent events. That date is the date the financial statements were available to be issued.

Note 2 - Patient Service Revenue

The Health Center has agreements with third-party payors that provide for payments to the Health Center at amounts different from the established rules. A summary of the payment arrangements with major third-party payors follows:

Medicare. Inpatient acute care services rendered to Medicare program beneficiaries in a Critical Access Hospital are paid based on Medicare defined costs of providing the services. Inpatient nonacute services, certain outpatient services and certain rural health clinic services related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Health Center is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Health Center and audits thereof by the Medicare Administrative Contractor. The Health Center's Medicare cost reports have been audited by the Medicare Administrative Contractor through September 30, 2022.

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Medicaid. Inpatient acute services and outpatient services rendered to Medicaid program beneficiaries in a Critical Access Hospital are paid based on Medicaid defined costs of providing the services. The Health Center is reimbursed for cost reimbursable items at tentative rates with final settlement determined after submission of annual cost reports by the Health Center. Long-term care services are reimbursed at prospectively determined rates per day of care. These rates vary accordingly to a patient classification system.

Commercial Insurance. The basis for payment to the Health Center under these agreements includes discounts from established charges.

Patient service revenue by major payor class for the years ended September 30, 2024 and 2023, is presented in the following tables:

	2024	2023
Medicare	\$ 16,674,924	\$ 14,504,592
Medicaid	3,514,094	3,889,040
Commercial and other	10,688,154	10,050,592
Total patient service revenue	\$ 30,877,172	\$ 28,444,224

Patient service revenue, by service line of revenue recognition is as follows, for the years ended September 30, 2024 and 2023:

	2024	2023
Hospital services	\$ 24,847,585	\$ 22,947,655
Clinic services	2,774,850	2,883,389
Long-term care services	3,254,737	2,613,180
Total patient service revenue	\$ 30,877,172	\$ 28,444,224

Revenue from patient's deductibles and coinsurance are included in the payor class and service line presented above based on the primary payor.

Revenue from the Medicare and Medicaid programs accounted for approximately 65% in 2024 and 2023 of the Health Center's patient service revenue.

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

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Health Center’s historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews and investigations. Adjustments arising from a change in the transaction price increased approximately \$173,000 and \$382,000 in 2024 and 2023 due to final settlements and years that are no longer subject to audits, reviews and investigations.

Beginning and end of year estimated third-party payor settlements were as follows:

	2024	2023
Estimated third-party payor settlements, beginning of year	\$ 368,977	\$ (93,106)
Estimated third-party payor settlements, end of year	(501,000)	368,977

Note 3 - Patient Financial Assistance

The Health Center provides charity care to patients who are financially unable to pay for the healthcare services they receive. It is the policy of the Health Center not to pursue collection of amounts determined to qualify as charity care. Accordingly, the Health Center does not report these amounts in patient service revenue. The Health Center determines the costs associated with providing charity care by aggregating the direct and indirect costs, including salaries, benefits, supplies, and other operating expenses, based on an overall cost to charge ratio. The costs of caring for these patients for the years ended September 30, 2024 and 2023 was approximately \$66,000 and \$151,000.

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Note 4 - Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the consolidated balance sheet date, comprise the following:

	2024	2023
Financial Assets		
Cash and cash equivalents	\$ 3,687,940	\$ 2,077,580
Receivables		
Patients	3,728,248	3,179,430
Related-party	114,182	99,373
Other	5,197,424	5,421,049
Estimated third-party payor settlements - Medicare and Medicaid	-	368,977
Investments limited as to use	17,348,280	15,487,530
Total financial assets	30,076,074	26,633,939
Less Investments Limited as to Use		
By board designation for future capital improvements	16,613,907	14,715,783
By donor restriction	363,123	325,497
By loan agreement	371,250	446,250
Total financial investments limited as to use	17,348,280	15,487,530
Financial assets available for general expenditure	\$ 12,727,794	\$ 11,146,409

The Board of Directors of the Health Center has designated \$16,613,907 and \$14,715,783 in 2024 and 2023 to be used for future capital improvements. These funds are not intended to be spent from, however, these amounts could be made available for expenditure by an action of the Board of Directors, should that be necessary.

The Health Center's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The Health Center's liquidity management plan includes investing cash in excess of daily requirements in a sweep account. The sweep account automatically transfers funds that exceed \$250,000 into a higher interest-earning account at the close of each business day that is fully FDIC insured.

Note 5 - Fair Value Measurement

The Health Center applies FASB ASC 820 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. FASB ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the Health Center has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly through either corroboration or observable market data.

Level 3 inputs are unobservable inputs for the asset or liability. Therefore, unobservable inputs shall reflect the Health Center's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value:

Fixed income securities - Investments in fixed income securities are comprised of corporate bonds and notes and U.S. treasury securities. U.S. treasury securities are classified as Level 1 if they trade with sufficient frequency and volume to obtain pricing information on an ongoing basis. The remaining are classified as Level 2 based on multiple sources of information, which may include market data and/or quoted market prices from either markets that are not active or are for the same or similar assets in active markets.

Mutual funds - The fair value of mutual funds is classified as Level 1 as the market value is based on quoted market prices.

For the years ended September 30, 2024 and 2023, the application of valuation techniques applied to similar assets and liabilities has been consistent.

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The following table presents the financial instruments that are measured at fair value on a recurring basis (including items that are required to be measured at fair value) at September 30, 2024 and 2023:

	September 30, 2024			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 608,884	\$ -	\$ -	\$ -
Certificates of deposit	7,794,683	-	-	-
Accrued interest	174,320	-	-	-
Fixed income securities				
Corporate bonds	49,516	-	49,516	-
US treasury securities	494,028	494,028	-	-
Mutual funds				
Money market	17,292	17,292	-	-
International	756,727	756,727	-	-
Large cap	4,296,055	4,296,055	-	-
Small cap	370,797	370,797	-	-
Fixed income	2,785,978	2,785,978	-	-
	<u>\$ 17,348,280</u>	<u>\$ 8,720,877</u>	<u>\$ 49,516</u>	<u>\$ -</u>
Total	<u>\$ 17,348,280</u>	<u>\$ 8,720,877</u>	<u>\$ 49,516</u>	<u>\$ -</u>
	September 30, 2023			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 660,053	\$ -	\$ -	\$ -
Certificates of deposit	8,146,849	-	-	-
Accrued interest	159,929	-	-	-
Fixed income securities				
Corporate bonds	171,524	-	171,524	-
US treasury securities	717,024	717,024	-	-
Mutual funds				
Money Market	33,477	33,477	-	-
International	506,716	506,716	-	-
Large cap	2,531,335	2,531,335	-	-
Small cap	273,120	273,120	-	-
Fixed income	2,287,503	2,287,503	-	-
	<u>\$ 15,487,530</u>	<u>\$ 6,349,175</u>	<u>\$ 171,524</u>	<u>\$ -</u>
Total	<u>\$ 15,487,530</u>	<u>\$ 6,349,175</u>	<u>\$ 171,524</u>	<u>\$ -</u>

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Note 6 - Investments Limited as to Use

The composition of investments limited as to use, as of September 30, 2024 and 2023 is set forth in the following table:

	2024	2023
Investments Limited as to Use		
Board designated		
Fixed income securities	\$ 543,544	\$ 888,548
Mutual funds	8,153,248	5,572,344
Certificates of deposit	7,742,795	8,094,962
Accrued interest	174,320	159,929
Total board designated	16,613,907	14,715,783
By donor		
Cash and cash equivalents	237,636	213,803
Mutual funds	73,600	59,807
Certificates of deposit	51,887	51,887
Total by donor	363,123	325,497
By loan agreement		
Cash and cash equivalents	371,250	446,250
Total investments limited as to use	\$ 17,348,280	\$ 15,487,530

Investment return for the years ended September 30, 2024 and 2023 is summarized as follows:

	2024	2023
Interest and dividends	\$ 822,100	\$ 647,461
Change in unrealized gains and losses on investments, net	1,184,177	306,276
Total investment return	\$ 2,006,277	\$ 953,737

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Note 7 - Property and Equipment, Net

Property and equipment as of September 30, 2024 and 2023 is summarized as follows:

	2024	2023
Land and improvements	\$ 368,496	\$ 333,521
Buildings and fixed equipment	29,440,350	29,643,244
Major moveable equipment	6,306,671	6,312,802
Construction in progress	759,308	220,803
	36,874,825	36,510,370
Less accumulated depreciation	(18,824,341)	(17,860,535)
Property and equipment, net	\$ 18,050,484	\$ 18,649,835

Depreciation expense of \$2,174,530 and \$2,129,645 in 2024 and 2023 is included in the accompanying consolidated statement of operations. Construction in progress at September 30, 2024 is related to a boiler replacement project in the hospital facility with estimated total costs of \$1.1 million and a completion date of spring 2025.

Note 8 - Investment in Joint Venture

During 2001, the Health Center entered into a joint venture with Bryan Health (Bryan), to form Fairbury Assisted Living Facility d/b/a Cedarwood, a not-for-profit organization. The Health Center and Bryan are the two corporate members of Cedarwood. Cedarwood constructed a 42-unit assisted living facility on the Health Center's campus. During 2015, an 8-unit addition was completed, bringing the total units to 50. The Health Center accounts for its investment and its share of income (loss) by the equity method of accounting.

The Health Center provides management, dietary, laundry and maintenance services to Cedarwood. Fees received for these services are included as other revenue in the consolidated statement of operations and is as follows for the years ended September 30, 2024 and 2023:

	2024	2023
Management and accounting services	\$ 123,252	\$ 113,279
Dietary	746,264	621,531
Maintenance	18,103	3,934
Laundry	7,790	10,711
	\$ 895,409	\$ 749,455

A gain on equity investment in joint ventures of \$184,019 and \$216,503 is included with other revenue in the consolidated statement of operations for the years ended September 30, 2024 and 2023.

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Note 9 - Long-Term Debt

A summary of long-term debt at September 30, 2024 and 2023 is as follows:

	2024	2023
Revenue and Refunding Bonds, Series 2021, issued by Hospital Authority No. 1 of Jefferson County, Nebraska, principal and interest payments are due through January 2040. (A)	\$ 7,073,616	\$ 7,310,514
New Market Tax Credit notes payable, due in quarterly interest-only payments at an annual rate of 1.47% (effective rate of 1.91%) through August 2028, then quarterly principal and interest installments of \$115,433 through September 2052. (B)	9,000,000	9,000,000
	16,073,616	16,310,514
Less unamortized debt issuance costs	1,208,113	1,253,727
Total long-term debt, net	\$ 14,865,503	\$ 15,056,787

(A) On December 18, 2021, \$8,275,000 of Revenue and Refunding Bonds, Series 2021 were issued by Hospital Authority No. 1 of Jefferson County, Nebraska (Issuer), pursuant to the Indenture and Loan Agreement between the Issuer, Heartland Bank (Lender), and the Health Center (Borrower). \$4,250,209 of the proceeds of the Series 2021 Bonds were used to refund Series 2012 Revenue Bonds. The remaining proceeds were drawn in 2022 and used for financing the construction of an addition to the existing Health Center facility. Initial monthly principal and interest payments through March 2022 of \$25,000 with a fixed interest rate of 2.75%. Effective March 2022, quarterly principal and interest payments of \$157,174 with a fixed rate equal to the FHLB Amortizing Rate in effect plus 1.10% or 4.263% (effective rate of 4.33%) through January 2040.

The Series 2021 Bonds require the Health Center to comply with certain financial covenants including maintaining a debt service coverage ratio of at least 1.50:1.00, a leverage ratio no higher than 0.50:1.00, and maintain an unrestricted cash balance of at least \$2,000,000, as long as the 2021 bonds are outstanding.

Debt issue costs are amortized on a straight-line basis over the period of their respective debt issue, which approximates the interest rate method. Amortization expense of \$5,594 in 2024 and 2023 is included with interest expense in the consolidated statement of operations.

(B) On August 31, 2022, the Health Center entered into Federal and state qualified low-income community investment (QLICI) loans amounting to \$9,000,000, issued by HRV Sub-CDE 47, LLC (Sub-CDE) under the federal and state new market tax credit program (NMTCP). The loans allowed for the utilization of federal and state new market tax credits to provide additional financing to offset a portion of the construction costs of the new clinic addition to the Health Center in exchange for which the Health Center anticipated forgiveness of a portion of the outstanding principal balance remaining at the end of the initial seven-year interest-only period. The Health Center is required to operate the clinic as a qualified active low-income community business under both federal and state new market tax credit law and in accordance with the loan agreements.

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In connection with the NMTCP financing, the JCHC Real Estate, Inc., acting as leverage lender, entered into a separate leverage loan note receivable arrangement with unrelated organizations totaling \$5,161,689 and incurred interest at approximately 1.0% over a 30-year term. The repayment terms and the collateral on the notes approximated the terms and the collateral of the NMTCP notes payable. Interest income earned on the notes receivable is included with other income (expenses) in the consolidated statement of operations.

The end of the seven-year compliance period for the NMTCP financing is August 2028. At this time, the Sub-CDE, as effective holders of the promissory notes due from the Health Center, are expected to exercise their respective put option. Under the terms of the put and call agreements, the leverage lender would be assigned the security interest of the Sub-CDE. Exercise of the put option will effectively allow the Health Center to extinguish its outstanding debt owed under the promissory notes.

Debt issue costs are amortized on a straight-line basis over the period of their respective debt issue, which approximates the interest rate method. Amortization expense of \$40,019 in 2024 and 2023 is included with interest expense in the consolidated statement of operations.

Scheduled principal payments on the long-term debt are as follows:

2025	\$	331,434
2026		347,344
2027		362,380
2028		377,377
2029		504,404
Thereafter		<u>14,150,677</u>
	\$	<u>16,073,616</u>

Note 10 - Leases

The Health Center leases electronic health record equipment under a long-term, non-cancelable finance lease agreement. The leases expire in January 2030. The Health Center included in the determination of the right-of-use asset and lease liability any renewal options when the options are reasonably certain to be exercised.

The weighted-average discount rate is based on the discount rate implicit in the lease. The Health Center has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for the lease where the implicit rate is not readily determinable.

The Health Center has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

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Total lease costs for the years ended September 30, 2024 and 2023 were as follows:

	2024	2023
Short-term lease cost	\$ 38,618	\$ 40,503
Finance lease cost		
Amortization of right-of-use assets	\$ 256,976	\$ 248,948

The following table summarizes the supplemental cash flow information for the years ended September 30, 2024 and 2023:

	2024	2023
Cash paid for amounts included in the measurement of lease liabilities		
Financing cash flows from finance leases	\$ 183,546	\$ 244,718

The following summarizes the weighted-average remaining lease term and weight-average discount rate:

	2024	2023
Weighted-average remaining lease term		
Finance leases	2.25 Years	2.75 Years

The future minimum lease payments under noncancelable finance leases with terms greater than one year are listed below as of September 30, 2024 and 2023.

Years Ending September 30:	
2025	\$ 252,428
2026	252,428
2027	7,708
2028	7,708
2029	7,708
Thereafter	3,854
Present value of lease liabilities	\$ 531,834

Assets under finance lease agreements consist of:

	2024	2023
Major moveable equipment	\$ 1,807,917	\$ 1,713,040
Less accumulated amortization	1,016,753	747,703
	\$ 791,164	\$ 965,338

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Note 11 - Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at September 30, 2024 and 2023:

	2024	2023
Subject to expenditure for specified purpose		
Scholarships	\$ 74,876	\$ 60,683
Donor designated for specific Health Center departments	237,360	213,927
	\$ 312,236	\$ 274,610
	2024	2023
Endowments		
Subject to the Health Center's spending policy and appropriation	\$ 50,887	\$ 50,887

Note 12 - Other Revenue, Net

Other revenue consisted of the following as of September 30, 2024 and 2023:

	2024	2023
340B contract pharmacy revenue	\$ 1,537,040	\$ 1,282,191
Cedarwood contract services	772,157	640,063
Employee Retention Tax Credit and related interest	407,192	4,100,061
Cafeteria and dietary	222,614	188,793
Gain on equity investment in joint venture	190,055	216,503
Cedarwood management and accounting services	123,252	113,279
Rural Health Clinic COVID-19 Testing and Mitigation Funds	-	200,000
Other	354,082	109,204
	\$ 3,606,392	\$ 6,850,094

340B Drug Pricing Program

The Health Center participates in the 340B Drug Pricing Program (340B Program) enabling the Health Center to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases and enter into certain contracts with unrelated pharmacies who provide certain prescriptive drugs to the Health Center outpatients. This program is overseen by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs (OPA). HRSA is currently conducting routine audits of these programs at health care organizations and increasing its compliance monitoring processes. Laws and regulations governing the 340B Program are complex and subject to interpretation and change. As a result, it is reasonably possible that material changes to financial statement amounts related to the 340B Program could occur in the near future.

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Employee Retention Credit

The Coronavirus Aid, Relief, and Economic Security Act provided an employee retention credit (the credit) which is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The credit is equal to 50% of qualified wages paid to employees, capped at \$10,000 of qualified wages through December 31, 2020. The Consolidated Appropriations Act of 2021 and the American Rescue Plan Act of 2021 expanded the availability of the credit, extended the credit through September 30, 2021, and increased the credit to 70% of qualified wages, capped at \$7,000 per quarter. As a result of the changes to the credit, the maximum credit per employee increased from \$5,000 in 2020 to \$21,000 in 2021. During the years ended September 30, 2024 and 2023, the Health Center recorded a \$407,192 and \$4,100,061 benefit related to the credit and interest, which is presented in the consolidated balance sheets as an other receivable and is presented in the consolidated statements of operations as other revenue.

The Health Center has elected to account for the credit by applying FASB ASC 958-605, *Not-for-Profit Entities: Revenue Recognition*. Under this method, the Health Center records contribution revenue when the contribution is deemed to be unconditional, that is when there is no longer a measurable performance or other barrier and a right of return or release from obligation to pay the contribution. Management has determined that the contribution is unconditional.

Rural Health Clinic COVID-19 Testing and Mitigation Funds

In 2020, the Health Center received \$200,000 in Rural Health Clinic COVID-19 Testing and Mitigation Funds. These funds are to be used to reimburse healthcare providers for COVID-19 testing and COVID-19 related expenses. The Health Center recognized \$0 and \$200,000 in other revenue for the years ended September 30, 2024 and 2023.

Note 13 - Professional Liability Insurance

The Health Center carries a professional liability policy (including malpractice) which provides \$1,000,000 of coverage for injuries per occurrence and \$3,000,000 aggregate coverage. The Health Center qualifies under the Nebraska Hospital Medical Liability Act (the Act). The Excess Liability Fund under the Act, on a claims-made basis, pays claims in excess of \$500,000 for losses up to \$2,250,000 per occurrence. The statutes limit covered claims above \$2,250,000 and, in connection therewith, the Health Center carries an umbrella policy which also provides an additional \$3,000,000 of professional liability coverage per occurrence and aggregate coverage. These policies provide coverage on a claims-made basis covering only the claims which have occurred and are reported to the insurance company while the coverage is in force.

The Health Center could have exposure on possible incidents that have occurred for which claims will be made in the future, should professional liability insurance not be obtained, should coverage be limited and/or not available, or should the Act change.

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Accounting principles generally accepted in the United States of America require a healthcare provider to recognize the ultimate costs of malpractice claims or similar contingent liabilities, which include costs associated with litigating or settling claims, when the incidents that give rise to the claims occur. The Health Center does evaluate all incidents and claims along with prior claims experienced to determine if a liability is to be recognized. For the years ended September 30, 2024 and 2023, management determined a liability of \$500,000 and \$1,175,000 should be recognized for asserted or unasserted claims. In accordance with FASB ASU No. 2010-24, Health Care Entities (Topic 954): *Presentation of Insurance Claims and Related Insurance Recoveries*, management has included this liability in accounts payable with a corresponding receivable for insurance recoveries which is included with other receivables on the consolidated balance sheets.

Note 14 - Retirement Plan

The Health Center adopted a defined contribution retirement plan covering substantially all full-time employees. Benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate when they complete certain service and age requirements. The Health Center matches 2.5% or 5.0% of the employee's covered compensation depending upon the employee's contributions and length of service. Participant interests are vested over a period from two to six years of service. Pension expense was \$500,730 and \$485,263 for 2024 and 2023.

Note 15 - Concentrations of Credit Risk

The Health Center is located in Fairbury, Nebraska. The Health Center grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The mix of gross receivables from patients and third-party payors at September 30, 2024 and 2023 was as follows:

	<u>2024</u>	<u>2023</u>
Medicare	48%	43%
Medicaid	12	11
Commercial and other	<u>40</u>	<u>46</u>
	<u><u>100%</u></u>	<u><u>100%</u></u>

The Health Center, at times, maintains cash deposits in excess of Federal Deposit Insurance Corporation insurance limits. Management believes the risk relating to these deposits is minimal. At September 30, 2024 and 2023, the Health Center had approximately \$122,000 and \$196,000 in excess of FDIC-insured limits.

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Note 16 - Commitments and Contingencies

Litigation

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

Commitments

During 2019, the Health Center entered into an agreement with Cerner to acquire and develop a comprehensive software solution for an electronic health record. The agreement term is for ten years and includes perpetual software licenses, Cerner resources, development and implementation, hardware and ongoing maintenance and service costs. The solution is hosted by Cerner and was placed into service in August 2021. For the years ended September 30, 2024 and 2023, the Health Center recognized \$72,480 in service costs. Future commitments under the agreement are as follows:

<u>September 30,</u>	<u>Maintenance and Service</u>
2025	\$ 72,480
2026	72,480
2027	72,480
2028	72,480
2029	72,480

Contingencies

The Health Center's credit filings for the employee retention credit remain open for potential examination by the IRS through the statute of limitations, which has varying expiration dates extending through 2027. Any disallowed claims resulting from such limitations could be subject to repayment to the federal government.

Jefferson Community Health Center, Inc. d/b/a Jefferson Community Health & Life
and Affiliate

Notes to Consolidated Financial Statements
September 30, 2024 and 2023

Note 17 - Functional Expenses

The table presented below illustrates the Health Center's expenses by both their nature and their function for the years ended September 30, 2024 and 2023:

	2024		Total
	Program Services	Support Services	
	Healthcare Services	Management and General	
Salaries and wages	\$ 14,794,501	\$ 1,116,364	\$ 15,910,865
Employee benefits	3,526,124	269,497	3,795,621
Supplies	5,062,319	59,650	5,121,969
Professional fees and purchased services	1,611,048	704,973	2,316,021
Repairs, maintenance and utilities	1,894,985	114,261	2,009,246
Other expenses	506,003	740,581	1,246,584
Depreciation and amortization	2,249,328	182,178	2,431,506
Interest	452,585	36,656	489,241
	<u>\$ 30,096,893</u>	<u>\$ 3,224,160</u>	<u>\$ 33,321,053</u>
	2023		Total
	Program Services	Support Services	
	Healthcare Services	Management and General	
Salaries and wages	\$ 13,785,250	\$ 1,026,035	\$ 14,811,285
Employee benefits	3,670,519	276,371	3,946,890
Supplies	4,578,071	96,191	4,674,262
Professional fees and purchased services	1,582,856	492,996	2,075,852
Repairs, maintenance and utilities	1,799,169	104,616	1,903,785
Other expenses	514,066	678,425	1,192,491
Depreciation and amortization	2,200,380	178,213	2,378,593
Interest	465,693	37,717	503,410
	<u>\$ 28,596,004</u>	<u>\$ 2,890,564</u>	<u>\$ 31,486,568</u>

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function of the Health Center. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated based on square footage included utilities, depreciation, and interest expense. Expenses allocated on the basis of management time and effort are employee benefits and information technology expenses. Fundraising expenses are classified as other income (expenses) in the consolidated statement of operations.



Supplementary Information
September 30, 2024 and 2023

**Jefferson Community Health Center, Inc.
d/b/a Jefferson Community Health & Life
and Affiliate**

Jefferson Community Health Center, Inc. d/b/a Jefferson Community Health & Life
and Affiliate

Consolidating Balance Sheet
September 30, 2024

	Jefferson Community Health & Life	JCHC Real Estate, Inc.	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 3,674,963	\$ 12,977	\$ 3,687,940
Receivables			
Patients	3,728,248	-	3,728,248
Related-party	114,182	-	114,182
Other	5,197,424	-	5,197,424
Inventories	586,307	-	586,307
Prepaid expenses	681,175	-	681,175
Total current assets	13,982,299	12,977	13,995,276
Investments Limited as to Use	17,348,280	-	17,348,280
Note Receivable	-	5,161,689	5,161,689
Property and Equipment, Net	18,050,484	-	18,050,484
Finance Lease Right-of-Use Assets	791,164	-	791,164
Investment in Joint Venture	1,532,030	-	1,532,030
Total assets	<u>\$ 51,704,257</u>	<u>\$ 5,174,666</u>	<u>\$ 56,878,923</u>
Liabilities and Net Assets			
Current Liabilities			
Current portion of long-term debt	\$ 331,434	\$ -	\$ 331,434
Current portion of finance lease liability	252,428	-	252,428
Accounts payable			
Trade	1,521,891	-	1,521,891
Property and equipment	95,890	-	95,890
Accrued interest	77,062	-	77,062
Accrued salaries, vacation and benefits payable	1,633,308	-	1,633,308
Estimated third-party payor settlements - Medicare and Medicaid	501,000	-	501,000
Total current liabilities	4,413,013	-	4,413,013
Long-Term Debt, Net of Current Portion	14,534,069	-	14,534,069
Finance Lease Liability, Net of Current Portion	279,406	-	279,406
Total liabilities	<u>19,226,488</u>	<u>-</u>	<u>19,226,488</u>
Net Assets			
Without donor restrictions	32,114,646	5,174,666	37,289,312
With donor restrictions	363,123	-	363,123
Total net assets	<u>32,477,769</u>	<u>5,174,666</u>	<u>37,652,435</u>
Total liabilities and net assets	<u>\$ 51,704,257</u>	<u>\$ 5,174,666</u>	<u>\$ 56,878,923</u>

Jefferson Community Health Center, Inc. d/b/a Jefferson Community Health & Life
and Affiliate

Consolidating Statement of Operations
Year Ended September 30, 2024

	Jefferson Community Health & Life	JCHC Real Estate, Inc.	Total
Revenue Without Donor Restrictions			
Patient service revenue	\$ 30,877,172	\$ -	\$ 30,877,172
Other revenue	3,606,392	-	3,606,392
Net assets released from restrictions used for operations	38,250	-	38,250
Total revenue without donor restrictions	34,521,814	-	34,521,814
Expenses			
Salaries and wages	15,910,865	-	15,910,865
Employee benefits	3,795,621	-	3,795,621
Supplies	5,121,969	-	5,121,969
Professional fees and purchased services	2,316,021	-	2,316,021
Repairs, maintenance, and utilities	2,009,246	-	2,009,246
Other expenses	1,246,584	-	1,246,584
Depreciation and amortization	2,431,506	-	2,431,506
Interest	489,241	-	489,241
Total expenses	33,321,053	-	33,321,053
Operating Income	1,200,761	-	1,200,761
Other Income (Expense)			
Investment income	770,490	51,610	822,100
Change in unrealized gains and losses on investments, net	1,184,177	-	1,184,177
Gifts, grants and bequests	282,855	-	282,855
Fundraising expenses	(32,397)	-	(32,397)
Other income, net	2,205,125	51,610	2,256,735
Excess of Revenue over Expenses	3,405,886	51,610	3,457,496
Gifts Grants and Bequests for Purchase of Property and Equipment	4,463	-	4,463
Transfer (To)/From Affiliate	51,537	(51,537)	-
Change in Net Assets without Donor Restrictions	\$ 3,461,886	\$ 73	\$ 3,461,959

Jefferson Community Health Center, Inc. d/b/a Jefferson Community Health & Life
and Affiliate

Consolidating Statement of Changes in Net Assets
Year Ended September 30, 2024

	Jefferson Community Health & Life	JCHC Real Estate, Inc.	Total
Net Assets without Donor Restrictions			
Operating income	\$ 1,200,761	\$ -	\$ 1,200,761
Other income, net	2,205,125	51,610	2,256,735
Gifts, grants and bequests for purchase of property and equipment	4,463	-	4,463
Transfer (to)/from affiliate	51,537	(51,537)	-
Change in net assets without donor restrictions	<u>3,461,886</u>	<u>73</u>	<u>3,461,959</u>
Net Assets with Donor Restrictions			
Restricted gifts, grants and bequests	75,876	-	75,876
Net assets released from restrictions used for operations	(38,250)	-	(38,250)
Change in net assets with donor restrictions	<u>37,626</u>	<u>-</u>	<u>37,626</u>
Change in Net Assets	3,499,512	73	3,499,585
Net Assets, Beginning of Year	<u>28,978,257</u>	<u>5,174,593</u>	<u>34,152,850</u>
Net Assets, End of Year	<u><u>\$32,477,769</u></u>	<u><u>\$ 5,174,666</u></u>	<u><u>\$37,652,435</u></u>

Jefferson Community Health Center, Inc. d/b/a Jefferson Community Health & Life
and Affiliate

Financial and Statistical Highlights
Years Ended September 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Patient Days		
Adult and pediatric		
Medicare	275	186
Other	185	163
	<u>460</u>	<u>349</u>
Swing bed		
Skilled	431	308
Intermediate	134	82
	<u>1,025</u>	<u>739</u>
Total	<u>1,025</u>	<u>739</u>
Long-term care unit days	<u>11,022</u>	<u>10,396</u>
Observation equivalent days	410	424
Home health visits	740	1,638
Surgery cases	518	555
Emergency room visits	2,238	2,356
Clinic Visits	13,400	14,781
Fitness center visits	54,045	49,903
Number of employees - FTE's	198.06	199.17