

**The Lawrence Memorial Hospital**

**A Component Unit of the City of Lawrence, Kansas**

**Independent Auditor’s Report and Financial Statements**

December 31, 2023 and 2022



**The Lawrence Memorial Hospital**

**A Component Unit of the City of Lawrence, Kansas**

**December 31, 2023 and 2022**

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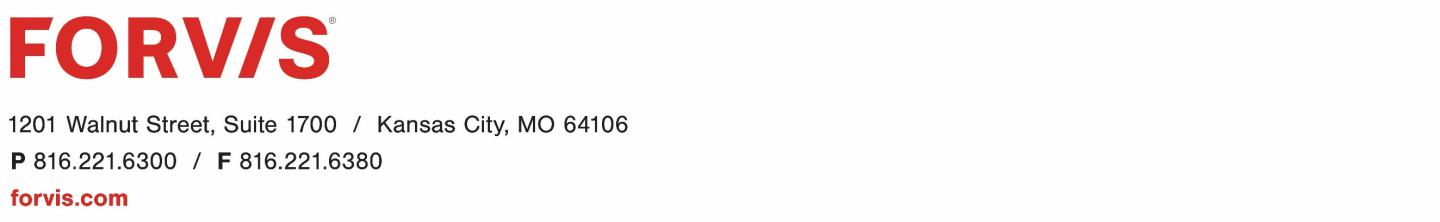
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**Independent Auditor’s Report**

Board of Trustees

The Lawrence Memorial Hospital

Lawrence, Kansas

***Opinions***

We have audited the financial statements of the business-type activities and the aggregate discretely presented component units of The Lawrence Memorial Hospital (the “Hospital”), a component unit of the City of Lawrence, Kansas, as of and for the years ended December 31, 2023 and 2022, 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, based on our audits and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Hospital as of December 31, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of LMH Health Foundation, a discretely presented component unit of the Hospital, which represent 66% and 37%, respectively, of the assets and revenues of the aggregate discretely presented component units as of December 31, 2023; and, which represent 63% and 55%, respectively, of the assets and revenues of the aggregate discretely presented component units as of December 31, 2022. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for LMH Health Foundation, is based solely on the report of the other auditors.

***Basis for Opinions***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the *Kansas Municipal Audit and Accounting Guide*. 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 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 opinions.

***Emphasis of Matter***

As discussed in *Note 21* of the financial statements, in 2023, the Hospital adopted Governmental Accounting Standards Board Statement No. 96, *Subscription-Based IT Arrangements*. Our opinions are not modified with respect to this matter.



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***Responsibilities of Management’s 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 12 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 opinions. 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 the *Kansas Municipal Audit and Accounting Guide* will always detect a material misstatement when it exists. The riskof 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 the *Kansas Municipal Audit and Accounting Guide*, 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.

Board of Trustees

The Lawrence Memorial Hospital

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***Required Supplementary Information***F29

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis 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 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 basic financial statements, and other knowledge we obtained during our audits 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.



Kansas City, Missouri

April 19, 2024

**The Lawrence Memorial Hospital**

**A Component Unit of the City of Lawrence, Kansas**

**Management’s Discussion and Analysis (Unaudited)**

**Years Ended December 31, 2023 and 2022**

***Introduction***

This management’s discussion and analysis of the financial performance of The Lawrence Memorial Hospital (Hospital) provides an overview of the Hospital’s financial activities for the years ended December 31, 2023 and 2022. It should be read in conjunction with the accompanying financial statements of the Hospital. Unless otherwise indicated, the information and financial data relates solely to the Hospital and does not include its discretely presented component units, LMH Health Foundation and Lawrence Surgery Center, LLC. Dollar amounts are in thousands.

***Financial Highlights***

Cash deposits and investments as detailed in *Note 2* to the financial statements totaled $116,511 at December 31, 2023, an increase of $19,523 or 20.1% from the balance reported at December 31, 2022 when cash and investments totaled $96,988, a decrease of $23,408 or 19.4% from the balance reported at December 31, 2021.

The Hospital’s net position at December 31, 2023 increased $1,285 or 0.5% compared to a decrease of $7,927 or 2.8% in 2022.

The Hospital reported an operating loss of $1,561 in 2023, a 56.6% improvement over the operating loss of $3,600 reported in 2022 but fell short of the operating income of $2,382 generated in 2021.

Investment income of $4,600 increased by $5,721 or 510.3% in 2023 compared to the prior year when the Hospital experienced investment losses of $1,121 in 2022, representing a change of $6,212 or 122.0% compared to investment income of $5,091 in 2021. The year-to-year changes were impacted by unrealized market gains and losses experienced over the years due to volatile market conditions, impacted by periods of recovery following the COVID-19 pandemic and subsequent inflation factors in the economy.

Nonoperating revenues includes CARES Act payments, authorized by the U.S. Department of Health and Human Services and the U.S. Department of the Treasury, and other COVID-19 relief program funds provided by the State of Kansas totaling $13 in 2023, $274 in 2022, and $5,284 in 2021 to support the Hospital’s COVID-19 pandemic response.

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**The Lawrence Memorial Hospital**

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**Years Ended December 31, 2023 and 2022**

***Using This Annual Report***

The Hospital’s financial statements consist of three statements—a balance sheet; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These statements, along with the accompanying notes, provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The Hospital utilizes accounting practices for a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

***The Balance Sheet and Statement of Revenues, Expenses and Changes in Net Position***

The Balance Sheet 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 determine its overall financial condition. These statements include all restricted and unrestricted assets, all liabilities and all deferred inflows of resources using the accrual basis of accounting. Under the accrual basis of accounting, all of the current year’s revenues and expenses are considered regardless of when cash is received or paid.

These two statements report the Hospital’s net position and changes during the period. The Hospital’s total net position—the difference between assets, liabilities and deferred inflows of resources—is one measure of the Hospital’s financial health or financial position. Over time, increases in the Hospital’s net position are one indicator that its financial health is improving. Other nonfinancial factors, such as changes in the Hospital’s patient base, changes in medical staff, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients and local economic factors should also be considered to assess the overall financial health of the Hospital.

***The Statement of Cash Flows***

The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. This statement provides the user an understanding of the various sources and uses of cash for the Hospital.

***The Hospital’s Net Position***

The Hospital’s net position as illustrated in Table 1 below is the difference between its assets, liabilities and deferred inflows of resources reported in the Balance Sheet. Changes in net position were due to negative or positive financial operating results for the respective years. The 2021 comparative information has not been restated for the GASB Statement No. 96, *Subscription-Based IT Arrangements*, change in accounting principle, as described in *Note 21*.

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**The Lawrence Memorial Hospital**

**A Component Unit of the City of Lawrence, Kansas**

**Management’s Discussion and Analysis (Unaudited)**

**Years Ended December 31, 2023 and 2022**

***Table 1: Assets, Liabilities, Deferred Inflows of Resources and Net Position***

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **As Restated** | |  |  |  |  |
| **Assets** |  | **2023** |  |  | **2022** |  |  | **2021** |  |
|  |  |  |  |  |  |  |  |  |
| Cash and cash equivalents | $ | 38,378 | $ | | 18,378 | $ | | 90,970 |  |
| Patient accounts receivable, net |  | 40,077 |  |  | 50,054 |  |  | 49,278 |  |
| Other current assets |  | 16,569 |  |  | 24,590 |  |  | 22,981 |  |
| Total current assets |  | 95,024 |  |  | 93,022 |  |  | 163,229 |  |
| Noncurrent cash and investments |  | 75,547 |  |  | 76,074 |  |  | 26,916 |  |
| Capital assets, net |  | 225,605 |  |  | 230,161 |  |  | 235,083 |  |
| Lease assets, net |  | 4,410 |  |  | 5,373 |  |  | 6,430 |  |
| Subscription assets, net |  | 38,727 |  |  | 44,034 |  |  | - |  |
| Lease receivable |  | 13,510 |  |  | 13,648 |  |  | 13,721 |  |
| Other |  | 1,853 |  |  | 1,681 |  |  | 1,808 |  |
| Total other noncurrent assets |  | 15,363 |  |  | 15,329 |  |  | 15,529 |  |
| Total assets | $ | 454,676 | $ | | 463,993 | $ | | 447,187 |  |
| **Liabilities** |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| Long-term debt | $ | 87,461 | $ | | 90,750 | $ | | 92,527 |  |
| Lease liabilities |  | 3,201 |  |  | 4,241 |  |  | 5,313 |  |
| Subscription liabilities |  | 34,661 |  |  | 38,799 |  |  | - |  |
| Other current and noncurrent liabilities |  | 43,455 |  |  | 45,249 |  |  | 56,235 |  |
| Total liabilities |  | 168,778 |  |  | 179,039 |  |  | 154,075 |  |
| **Deferred Inflows of Resources - Leases** |  | 13,753 |  |  | 14,094 |  |  | 14,325 |  |
| **Net Position** |  |  |  |  |  |  |  |  |  |
| Net investment in capital assets |  | 134,334 |  |  | 141,444 |  |  | 147,139 |  |
| Restricted - expendable for |  |  |  |  |  |  |  |  |  |
| Capital acquisition |  | 3,220 |  |  | 1,820 |  |  | 2,076 |  |
| Specific operating activities |  | - |  |  | 33 |  |  | 93 |  |
| Unrestricted |  | 134,591 |  |  | 127,563 |  |  | 129,479 |  |
| Total net position |  | 272,145 |  |  | 270,860 |  |  | 278,787 |  |
| Total liabilities, deferred inflows of resources | $ | 454,676 | $ | | 463,993 | $ | | 447,187 |  |
| and net position |  |
|  |  |  |  |  |  |  |  |  |  |

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**The Lawrence Memorial Hospital**

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**Years Ended December 31, 2023 and 2022**

Cash and cash equivalents totaled $38,378 at December 31, 2023 and reflected an increase of $20,000 or 108.8% compared to a balance of $ 18,378 in 2022 and compared to the balance of $90,970 in 2021. The Hospital’s cash position in 2021 was supported with Medicare Accelerated and Advanced payments of which the balance of $17,689 in funds were repaid from Medicare receipts in 2022. In 2022, the Hospital invested funds previously held in overnight deposits to longer term securities due to improved interest rates available.

Net patient accounts receivable decreased by $9,977 or 19.9% at December 31, 2023 compared to the balance at December 31, 2022 due to revenue cycle improvements implemented during the year. Net patient accounts receivable increased by $766 or 1.6% at December 31, 2022 compared to the balance at December 31, 2021.

Total noncurrent cash and investments at December 31, 2023 decreased $527 or 0.7% compared to the prior year end balance of $76,074 at December 31, 2022. Total noncurrent cash and investments at December 31, 2022 increased $49,158 or 182.6% compared to the prior year end balance of $ 26,916 at December 31, 2021. In 2022, the Hospital moved funds into securities with longer term maturities due to improved investment rates.

Net capital assets of $225,605 at December 31, 2023 decreased by $4,556 or 2.0% compared to net capital assets of $230,161 at December 31, 2022 when net capital assets decreased by $4,922 or 2.1% compared to net capital assets of $235,083 at December 31, 2021. The year over year decreases are primarily due to depreciation and asset retirements.

Net lease assets decreased by $963 or 17.9% at December 31, 2023 compared to the 2022 year-end balance when the balance decreased by $1,057 compared to the 2021 year-end balance. The year over year decreases were due to amortization of leased assets.

Similarly, lease receivable assets decreased by $138 at December 31, 2023 compared to the 2022 year-end balance when the balance decreased by $73 compared to the 2021 year-end balance.

Net subscription assets decreased by $5,307 or 12.1% at December 31, 2023 compared to the 2022 year-end balance. The decrease was due to amortization of subscription assets recorded per the adoption of GASB Statement No. 96, *Subscription-Based IT Arrangements*.

Long-term debt of $87,461 at December 31, 2023 decreased by $3,289 or 3.6% compared to the prior year and long-term debt of $ 90,750 reported at December 31, 2022 decreased by $1,777 or 1.9% compared to long-term debt of $92,527 at December 31, 2021 primarily due to principal payments on the 2018 Series bonds, note payable and other financing obligations.

Lease liabilities of $3,201 at December 31, 2023 decreased $1,040 or 24.5% compared to the 2022 year-end balance of $4,241 which decreased $1,072 when compared to the 2021 year-end balance.

Subscription liabilities of $ 34,661 at December 31, 2023 decreased $4,138 or 10.7% compared to the 2022 year-end balance.

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**The Lawrence Memorial Hospital**

**A Component Unit of the City of Lawrence, Kansas**

**Management’s Discussion and Analysis (Unaudited)**

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Other current and noncurrent liabilities of $43,455 decreased by $1,794 or 4.0% in 2023 compared to the December 31, 2022 balance of $45,249. The 2022 balance decreased $10,986 or 19.5% in 2022 due to repayment of the remaining $17,689 of Medicare Accelerated and Advance Funds and final payment of deferred payroll taxes allowed for COVID-19 support in 2020.

The Hospital reports an acquisition of net assets that is applicable to a future reporting period as deferred inflows of resources in a separate section of its balance sheet. The December 31, 2023 balance of deferred inflows of resources decreased $341 compared to the balance at December 31, 2022 and decreased $231 compared to the balance reported at December 31, 2021.

***Operating Results and Changes in the Hospital’s Net Position***

The Hospital’s Revenues Over (Under) Expenses in 2023 were ($849), an increase of $7,738 or 90.1% increase over the prior year and a net margin of (0.2)%. In 2022, the Hospital reported expenses greater than revenues, generating a negative ($8,587) for Revenues Over (Under) Expenses for the year, a decrease of 185.6% from the prior year and a net margin of (2.5)%. The Hospital’s Revenues Over (Under) Expenses in 2021 were $10,031, an increase of $5,974 when compared to results from the prior year and a net margin of 3.1%. The Revenues Over (Under) Expenses were the principal factor in the increase in net position of $1,285 in 2023, the decrease in net position of $7,927 in 2022, and the increase in net position of $13,241 in 2021, as shown in Table 2.

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**The Lawrence Memorial Hospital**

**A Component Unit of the City of Lawrence, Kansas**

**Management’s Discussion and Analysis (Unaudited)**

**Years Ended December 31, 2023 and 2022**

***Table 2: Operating Results and Changes in Net Position***

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **As Restated** | |  |  |  |  |
| **Operating Revenues** |  | **2023** |  |  | **2022** |  |  | **2021** |  |
| $ | 341,555 | $ | | 333,417 | $ | | 317,459 |  |
| Net patient service revenue |  |
| Other operating revenues |  | 6,222 |  |  | 5,708 |  |  | 5,658 |  |
| Total operating revenues |  | 347,777 |  |  | 339,125 |  |  | 323,117 |  |
| **Operating Expenses** |  | 183,792 |  |  | 174,625 |  |  | 172,878 |  |
| Salaries and wages and employee benefits |  |  |  |  |  |  |
| Purchased services and professional fees |  | 37,469 |  |  | 38,515 |  |  | 31,430 |  |
| Depreciation and amortization |  | 21,466 |  |  | 20,955 |  |  | 14,887 |  |
| Other operating expenses |  | 106,611 |  |  | 108,630 |  |  | 101,540 |  |
| Total operating expenses |  | 349,338 |  |  | 342,725 |  |  | 320,735 |  |
| **Operating Income (Loss)** |  | (1,561) |  |  | (3,600) |  |  | 2,382 |  |
| **Nonoperating Revenues (Expenses)** |  | 4,600 |  |  | (1,121) |  |  | 5,091 |  |
| Investment income (loss) |  |  |  |  |  |  |
| Interest income from leases |  | 633 |  |  | 581 |  |  | 598 |  |
| Interest expense |  | (5,503) |  |  | (5,880) |  |  | (4,001) |  |
| Contributions and other |  | 126 |  |  | 536 |  |  | 5,568 |  |
| Gain (loss) on sale of capital assets |  | (63) |  |  | 6 |  |  | (598) |  |
| Gain on investment in equity investees |  | 919 |  |  | 891 |  |  | 991 |  |
| Total nonoperating revenues |  | 712 |  |  | (4,987) |  |  | 7,649 |  |
| (expenses), net |  |  |  |  |  |  |
| **Revenues Over (Under) Expenses** |  | (849) |  |  | (8,587) |  |  | 10,031 |  |
| **Contributions Restricted for Acquisition of** |  |  |  |  |  |  |  |  |  |
| **Capital Assets** |  | 2,134 |  |  | 660 |  |  | 3,210 |  |
| **Increase (Decrease) in Net Position** | $ | 1,285 | $ | | (7,927) | $ | | 13,241 |  |
|  |  |  |  |  |  |  |  |  |  |



***Operating Income (Loss)***

The first component of the overall change in the Hospital’s net position is its operating income or loss—generally, the difference between operating revenues and the expenses incurred to perform those services.

The Hospital ended 2023 with a net operating loss of $1,561, an improvement of $2,039 or 56.6% when compared to the net operating loss of $3,600 reported in the prior year.

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**The Lawrence Memorial Hospital**

**A Component Unit of the City of Lawrence, Kansas**

**Management’s Discussion and Analysis (Unaudited)**

**Years Ended December 31, 2023 and 2022**

In 2023, Hospital inpatient gross charge revenue increased 12.6% when compared to 2022. Adult and pediatric inpatient days of 28,450 increased 1,238 days or 4.5% when compared to 2022 patient days and total discharges increased by 7.3% for the same time period. The inpatient volume increase contributed to a 10.7% increase in room and bed gross charge revenue. Inpatient ancillary service charges increased $29,586 or 12.7% over the prior year with growth in surgical, imaging, laboratory and pharmacy services. Inpatient surgical cases increased 28.1% over the prior year and inpatient imaging service volumes increased 5.9% compared to prior year volumes.

Hospital outpatient ancillary services gross charge revenue in 2023 increased by 8.7% when compared to the prior year. Increases in pharmacy and oncology pharmacy revenues were significant contributors to the higher revenue generated for Hospital outpatient services. Growth in imaging, endoscopy, therapy, and surgical services were also a factor in the increase over prior year results.

Emergency department patient visits of 37,540 declined by 566 visits from the prior year, but gross charge revenues generated from services increased by 5.0% over prior year charges. Physician practice gross revenue remained fairly even with prior year results, but were impacted by a shift from providing drug infusion therapy services in a physician clinic setting to the Hospital’s outpatient infusion clinic to improve operational efficiency and standardization of clinical care.

Deductions from revenue increased 9.8% in 2023 and were reported at 75.9% of gross revenue compared to deductions of 74.6% experienced in 2022. The resulting net patient revenue of $341,555 showed an increase of $8,138 or 2.4% over prior year results. Other operating revenue increased 9.0% in 2023 due to increases in provider quality incentive awards earned by the family and internal medicine physician groups for providing high quality services and preventative care to their patient base as part of the overall commitment to help reduce cost and increase the health of the community we serve. When combined with other operating revenues of $6,222, total operating revenues were $347,777 in 2023.

Total operating expenses of $349,338 increased $6,613 or 1.9% in 2023 compared to prior year expenses. Salaries and wages and employee benefits expense of $183,792 grew $9,167 or 5.2% over the prior year due to a 4.0% cost of living increase and market adjustments granted to non-contract clinical and support staff as part of an ongoing recruitment and retention plan. Due to progress with the recruitment and retention project, the Hospital was able to significantly reduce contract labor expense which was higher in the two preceding years. Contract labor expense included within purchased services totaled $7,502 in 2023 compared to $12,247 in 2022, a decrease of $4,745.

Despite the increased drug usage to treat patients during 2023, the Hospital was able to realize significant savings under the government’s 340B drug purchasing program for which the Hospital was newly qualified. The 340B program produced savings for all drug expense, which decreased more than $5,040 from what was expended in the prior year. The significant decreases in both contract labor and drug expense helped mitigate the impact of inflation in other purchased services and supplies expense categories.

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**The Lawrence Memorial Hospital**

**A Component Unit of the City of Lawrence, Kansas**

**Management’s Discussion and Analysis (Unaudited)**

**Years Ended December 31, 2023 and 2022**

In 2022, the Hospital generated $3,600 in operating loss, a decrease of 251.1% compared to operating income of $2,382 generated in the prior year due to increased operating expenses without commensurate increases in revenues.

Hospital inpatient gross revenue in 2022 decreased $1,004 or 0.4% when compared to inpatient charges generated in 2021 despite an increase of 4.0% for inpatient days. Adult and pediatric days of 27,212 increased 1,044 patient days and routine room and bed charges increased by 7.0%; however, other inpatient service revenues declined when compared to the prior year. Pharmacy, respiratory therapy and central supply ancillary services revenues combined declined by $ 9,424 or 15.5% compared to the prior year and contributed to the overall decrease in gross revenue charges.

Gross revenue from Hospital outpatient ancillary services in 2022 increased by 7.1% when compared to the prior year. Oncology treatment volumes increased by 21.3% in 2022. The increase experienced in the Oncology department helped fuel increased revenues generated in the pharmacy for oncological drugs and in imaging services for exams provided to aid in the diagnosis and treatment of the oncology patients seen in 2022. Outpatient invasive cardiology revenue increased 10.5% over the prior year; and, combined, physical and occupational therapy services departments generated revenues 10.0% higher when compared to 2021.

Emergency department patient visits of 38,106 in 2022 increased 2,846 or 8.1% over the number of patient visits in the prior year generating an 8.8% increase in gross revenues for the same period. Physician practice gross revenue increased 6.8% in 2022 due to growth in the cardiology clinic’s services and in the family practice clinics. The Free State Family Medicine clinic added in September 2021 was in place for the entirety of 2022 and contributed with revenues exceeding the prior year by $3,662 or 237.2%.

Overall deductions from revenue were consistent at 74.6% of gross revenue compared to deductions of 74.4% experienced in 2021 and resulted in net patient revenue in 2022 from all sources of $333,417 which increased by 5.0% over the prior year. When combined with other operating revenues of $5,708, subsequent total operating revenues were $339,125 in 2022.

Overall, 2022 Hospital operating expenses of $342,725 increased by $21,990 or 6.9% compared to prior year operating expenses of $320,735. Salaries and wages and employee benefits increased $1,747 or 1.0% over the prior year, which is below what was anticipated in light of cost of living increases provided to Hospital and clinic staff.

One of the bigger challenges in 2022 was the considerable cost of contract labor required to fill nursing, imaging and other support staff positions in order to maintain appropriate staffing levels required to care for patients. Contract labor expense included within purchased services totaled $12,247 in 2022, an increase of $7,066 from what was experienced in 2021 when staffing shortages became common in hospitals dealing with the COVID-19 pandemic.

Pharmacy drug expense increased due to higher volumes seen in the oncology department coupled with the utilization of higher cost drugs to treat patients in the oncology and infusion clinics. Drug shortages and supply chain pressures from inflation and transportation issues also contributed to high costs recorded in the year.

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Included in other operating costs was the increase in the Kansas Healthcare Provider Assessment effective on July 1, 2022. Total assessment tax in 2022 was $4,143 compared to $799 in 2021. Going forward, the new annual assessment for the Hospital will be $ 7,487. The assessment was created to fund the state’s Health Care Access Improvement Fund in order to receive federal matching funds to provide payment for health care services to hospital providers caring for Kansas Medicaid beneficiaries.

***Nonoperating Revenues and Expenses***

Nonoperating revenues and expenses typically consist primarily of investment earnings on the Hospital’s fixed income and equity portfolios, income from the Hospital’s investment in the Lawrence Surgery Center, LLC, Mid-America Service Solutions, LLC, interest income from leases and interest expense on bond financing, leases and subscription liabilities; however, in 2021 and to a lesser extent in 2022, the Hospital also recognized revenue from federal and state sources for COVID-19 funding. Only $13 in specific COVID-19 -related funding was received in 2023. Conversely, in 2022, the Hospital recognized $112 in funding from the State of Kansas to be used specifically for attraction and retention of frontline health care workers by providing premium pay and bonuses during the COVID-19 surge. The Hospital also received and recognized $162 of *American Rescue Plan Act* funds from Douglas County, Kansas for equipment and expensesassociated with the COVID-19 ongoing pandemic response.

In 2021, the Hospital recognized $1,971 of Health and Human Services (HHS) stimulus funds, $2,721 of CARES Act direct aid funding from Douglas County, Kansas, and the initial $592 of funding from the State of Kansas for attraction and retention of frontline health care workers.

Favorable market conditions resulted in investment income of $4,600 in 2023, an increase of $5,721 when compared to investment losses recorded in the prior year. Due to changes in the market value of investments, total investment losses of $1,121 were reported in 2022, a decrease of $6,212 when compared to investment income of $5,091 in 2021.

The Hospital recognized income of $919 as a result of the investment in Lawrence Surgery Center, LLC, and Mid -America Service Solutions, LLC, an increase of $28 when compared to income of $891 reported in 2022. Total non-operating income increased $5,699 in 2023 compared to non-operating losses of $4,987 reported in 2022 when non-operating losses decreased $12,636 compared to the 2021 results.

***Capital Gifts***

The Hospital received contributions restricted for acquisition of capital assets of $2,134 from LMH Health Foundation during 2023 compared to $660 in 2022 and $3,210 in 2021. Expended contributions are reflected in unrestricted net position at December 31, 2023 and 2022. Non-expended contributions of $3,220 are reflected in restricted net position at December 31, 2023.

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**The Lawrence Memorial Hospital**

**A Component Unit of the City of Lawrence, Kansas**

**Management’s Discussion and Analysis (Unaudited)**

**Years Ended December 31, 2023 and 2022**

***The Hospital’s Cash Flows***

Changes in the Hospital’s cash flows are consistent with changes in operating income and non-operating revenues and expenses in 2023 and 2022, discussed earlier.

***Capital Assets***

The Hospital ended 2023 with $225,605 invested in capital assets, net of accumulated depreciation as detailed in *Note 5* to the financial statements, a decrease of $4,556 or 2.0% compared to the balance at the end of 2022. Lease and subscription assets decreased $963 and $5,307, respectively, in 2023 due to amortization of the right-to-use assets.

During 2023, the Hospital expended $ 1,950 for additional surgical booms and lights for remaining surgical suites not previously updated and for new surgical equipment to facilitate additional spine surgeries upon recruitment of a new surgeon. More than $ 3,100 was invested to update and improve infrastructure and leased tenant space in the 6th & Maine Street medical office building.

The Hospital ended 2022 with $230,161 invested in capital assets, net of accumulated depreciation as detailed in *Note 5* to the financial statements, a decrease of $4,922 or 2.1% compared to the balance at the end of 2021. Lease assets of $5,373 decreased $1,057 compared to the balance at December 31, 2021.

In 2022, the Hospital incurred a $2.4 million financing obligation to replace a primary air handler unit to service the main patient tower of the Hospital and invested more than $1.0 million to update the Hospital’s main pharmacy to remain compliant with new regulations for intravenous drug preparation safety and storage and to help achieve operation efficiencies in workflow within the pharmacy department. Additional investments were made to replace and update building services infrastructure. The Hospital continued to invest in clinical technology by replacing lights and booms in four of the surgery suites and acquired updated information technology equipment to support the Hospital and physician clinic departments.

***Debt***

In May 2018, the Hospital issued $77,520 in Series 2018 revenue bonds to finance the LMH Health West construction project and other capital assets acquisitions. The bonds were issued with an $8 million premium. The amount outstanding for the Series 2018 Bonds at December 31, 2023 was $73,435. Other long-term debt consists of the remaining balance of $8,445 note payable of the $10,000 signed in 2018 to finance the purchase of the 6th & Maine Street medical office building and other obligations to finance imaging technology for the operating rooms, surgical robotic equipment acquired in 2021 and 2020, and to replace the Hospital’s fleet of patient beds and stretchers in 2021. In 2022, the Hospital financed the installation of a new air handler unit for the main patient tower. No new debt was incurred in 2023. At the end of 2023, the Hospital had $90,357 in long- term debt obligations outstanding compared to $93,644 in 2022, a decrease of $3,287 or 3.5%.

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**The Lawrence Memorial Hospital**

**A Component Unit of the City of Lawrence, Kansas**

**Management’s Discussion and Analysis (Unaudited)**

**Years Ended December 31, 2023 and 2022**

***Contacting the Hospital’s Financial Management***

This financial report is designed to provide our patients, suppliers and creditors with a general overview of the Hospital’s finances and to show the Hospital’s accountability for the money it receives. Questions about this report and requests for additional information should be directed to the Chief Financial Officer by telephoning 785.505.6133.

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**The Lawrence Memorial Hospital**

**A Component Unit of the City of Lawrence, Kansas**

**Balance Sheets**

**December 31, 2023 and 2022**

**Assets**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **As Restated** | |  |
| **Current Assets** |  | **2023** |  |  | **2022** |  |
|  |  |  |  |  |  |
| Cash and cash equivalents | $ | 38,378,162 | $ | | 18,378,211 |  |
| Current portion of assets held by trustee |  | 2,585,312 |  |  | 2,535,006 |  |
| Patient accounts receivable, net of allowance for doubtful |  | 40,076,606 |  |  | 50,053,637 |  |
| accounts; 2023 – $15,295,516, 2022 – $24,031,584 |  |  |  |  |
| Due from third-party payors |  | 2,242,368 |  |  | 3,600,804 |  |
| Lease receivable - discretely presented component unit |  | 520,063 |  |  | 498,679 |  |
| Lease receivable |  | 570,712 |  |  | 451,174 |  |
| Accounts receivable – other |  | 1,040,640 |  |  | 2,030,865 |  |
| Supplies |  | 5,486,229 |  |  | 5,575,680 |  |
| Prepaid expenses and other |  | 4,123,367 |  |  | 9,897,616 |  |
| Total current assets |  | 95,023,459 |  |  | 93,021,672 |  |
| **Noncurrent Cash and Investments** |  | 2,585,312 |  |  | 2,535,006 |  |
| Held by trustee for debt service |  |  |  |  |
| Restricted by donors for capital acquisitions and specific |  | 3,220,434 |  |  | 1,853,017 |  |
| operating activities |  |  |  |  |
| Other long-term investments |  | 72,327,494 |  |  | 74,221,474 |  |
|  |  | 78,133,240 |  |  | 78,609,497 |  |
| Less amount required to meet current obligations |  | 2,585,312 |  |  | 2,535,006 |  |
|  |  | 75,547,928 |  |  | 76,074,491 |  |
| **Capital Assets, Net** |  | 225,605,406 |  |  | 230,161,194 |  |
| **Lease Assets, Net** |  | 4,410,223 |  |  | 5,372,684 |  |
| **Subscription Assets, Net** |  | 38,726,598 |  |  | 44,034,201 |  |
| **Other Assets** |  | 9,961,550 |  |  | 10,481,613 |  |
| Lease receivable - discretely presented component unit |  |  |  |  |
| Lease receivable |  | 3,548,286 |  |  | 3,166,602 |  |
| Other |  | 1,852,719 |  |  | 1,680,571 |  |
|  |  | 15,362,555 |  |  | 15,328,786 |  |
| Total assets | $ | 454,676,169 | $ | | 463,993,028 |  |
|  |  |  |  |  |  |  |



*See Notes to Financial Statements*

**Liabilities, Deferred Inflows of Resources and Net Position**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **As Restated** | |  |
| **Current Liabilities** |  | **2023** |  |  | **2022** |  |
|  |  |  |  |  |  |
| Current maturities of long-term debt | $ | 2,895,151 | $ | | 2,893,727 |  |
| Current portion of lease liabilities |  | 1,135,831 |  |  | 1,072,104 |  |
| Current portion of subscription liabilities |  | 4,803,980 |  |  | 5,182,009 |  |
| Accounts payable |  | 10,080,647 |  |  | 11,137,936 |  |
| Accrued expenses |  | 19,945,705 |  |  | 19,820,839 |  |
| Accrued interest payable |  | 2,187,113 |  |  | 2,285,668 |  |
| Retirement plan obligation |  | 1,686,365 |  |  | 1,536,011 |  |
| Due to third-party payors |  | 720,207 |  |  | 1,319,975 |  |
| Total current liabilities |  | 43,454,999 |  |  | 45,248,269 |  |
| **Other Liabilities** |  | 87,461,418 |  |  | 90,750,434 |  |
| Long-term debt |  |  |  |  |
| Lease liabilities |  | 3,201,143 |  |  | 4,240,895 |  |
| Subscription liabilities |  | 34,660,646 |  |  | 38,799,032 |  |
| Total other liabilities |  | 125,323,207 |  |  | 133,790,361 |  |
| Total liabilities |  | 168,778,206 |  |  | 179,038,630 |  |
| **Deferred Inflows of Resources** |  | 9,972,988 |  |  | 10,636,345 |  |
| Leases - discretely presented component unit |  |  |  |  |
| Leases |  | 3,779,790 |  |  | 3,457,932 |  |
|  |  | 13,752,778 |  |  | 14,094,277 |  |
| **Net Position** |  | 134,333,907 |  |  | 141,444,213 |  |
| Net investment in capital assets |  |  |  |  |
| Restricted – expendable for |  | 3,220,434 |  |  | 1,820,434 |  |
| Capital acquisition |  |  |  |  |
| Specific operating activities |  | - |  |  | 32,583 |  |
| Unrestricted |  | 134,590,844 |  |  | 127,562,891 |  |
| Total net position |  | 272,145,185 |  |  | 270,860,121 |  |
| Total liabilities, deferred inflows of resources and |  |  |  |  |  |  |
| net position | $ | 454,676,169 | $ | | 463,993,028 |  |
|  |  |  |  |  |  |  |



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**The Lawrence Memorial Hospital**

**A Component Unit of the City of Lawrence, Kansas**

**LMH Health Foundation**

**Statements of Financial Position**

**December 31, 2023 and 2022**

**Assets**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Current Assets** |  | **2023** |  |  | **2022** |  |
| $ | 1,257,469 | $ | | 1,485,819 |  |
| Cash and cash equivalents |  |
| Pledges receivable – current portion |  | 618,792 |  |  | 1,531,544 |  |
| Total current assets |  | 1,876,261 |  |  | 3,017,363 |  |
| **Noncurrent Assets** |  |  |  |  |  |  |
| Pledges receivable, net of current portion |  | 828,059 |  |  | 4,287,413 |  |
| Beneficial interests |  | 6,629,120 |  |  | 6,422,460 |  |
| Investments |  | 22,878,598 |  |  | 14,698,087 |  |
|  |  | 30,335,777 |  |  | 25,407,960 |  |
| Total assets | $ | 32,212,038 | $ | | 28,425,323 |  |
|  |  |  |  |  |  |  |



**Liabilities and Net Assets**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Current Liabilities** | $ | 5,964 | $ | | 5,774 |  |
| Accounts payable |  |
| Total current liabilities |  | 5,964 |  |  | 5,774 |  |
| **Net Assets** |  |  |  |  |  |  |
| Without donor restrictions |  |  |  |  |  |  |
| Undesignated |  | 6,787,555 |  |  | 1,195,313 |  |
| Designated by the board for endowment |  | 7,355,008 |  |  | 6,291,254 |  |
|  |  | 14,142,563 |  |  | 7,486,567 |  |
| With donor restrictions |  |  |  |  |  |  |
| Purpose restrictions |  | 9,126,579 |  |  | 8,547,154 |  |
| Time restrictions |  | 300,485 |  |  | 3,963,982 |  |
| Perpetual in nature |  | 8,636,447 |  |  | 8,421,846 |  |
|  |  | 18,063,511 |  |  | 20,932,982 |  |
| Total net assets |  | 32,206,074 |  |  | 28,419,549 |  |
| Total liabilities and net assets | $ | 32,212,038 | $ | | 28,425,323 |  |
|  |  |  |  |  |  |  |

*See Notes to Financial Statements* *16*

**The Lawrence Memorial Hospital**

**A Component Unit of the City of Lawrence, Kansas**

**Lawrence Surgery Center, LLC**

**Balance Sheets**

**December 31, 2023 and 2022**

**Assets**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Current Assets** |  | **2023** |  |  | **2022** |  |
|  |  |  |  |  |  |
| Cash and cash equivalents | $ | 1,168,318 | $ | | 867,323 |  |
| Patient accounts receivables |  | 1,447,718 |  |  | 1,337,537 |  |
| Supplies |  | 339,936 |  |  | 336,256 |  |
| Prepaid expenses and other |  | 98,570 |  |  | 95,837 |  |
| Total current assets |  | 3,054,542 |  |  | 2,636,953 |  |
| **Property and Equipment, at Cost** |  | 24,155 |  |  | 24,155 |  |
| Leasehold improvements |  |  |  |  |
| Major movable equipment |  | 3,063,674 |  |  | 3,241,512 |  |
| Furniture, fixtures and office equipment |  | 87,102 |  |  | 87,102 |  |
| Computer equipment and software |  | 113,701 |  |  | 113,701 |  |
| Less accumulated depreciation |  | 3,288,632 |  |  | 3,466,470 |  |
|  | 2,904,272 |  |  | 2,961,377 |  |
|  |  | 384,360 |  |  | 505,093 |  |
| **Other Assets** |  |  |  |  |  |  |
| Right-of-use assets - operating leases - related party |  | 11,592,098 |  |  | 12,158,852 |  |
| Right-of-use assets - finance leases - related party |  | 484,739 |  |  | 585,333 |  |
| Right-of-use assets - operating leases |  | 400,016 |  |  | 623,528 |  |
| Right-of-use assets - finance leases |  | 333,740 |  |  | 479,387 |  |
|  |  | 12,810,593 |  |  | 13,847,100 |  |



|  |  |  |  |
| --- | --- | --- | --- |
| Total assets | $ 16,249,495 | $ 16,989,146 | |
|  |  |  |  |

*See Notes to Financial Statements*

**Liabilities and Members’ Equity**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Current Liabilities** |  | **2023** |  |  | **2022** |  |
|  |  |  |  |  |  |
| Current portion of long-term debt | $ | 40,653 | $ | | 39,359 |  |
| Accounts payable |  | 350,234 |  |  | 185,981 |  |
| Accrued expenses |  | 874,741 |  |  | 855,515 |  |
| Current portion of operating lease liabilities - related party |  | 827,366 |  |  | 577,689 |  |
| Current portion of finance lease liabilities - related party |  | 102,371 |  |  | 94,927 |  |
| Current portion of operating lease liabilities |  | 232,012 |  |  | 221,047 |  |
| Current portion of finance lease liabilities |  | 149,211 |  |  | 114,145 |  |
| Total current liabilities |  | 2,576,588 |  |  | 2,088,663 |  |
| **Other Liabilities** |  |  |  |  |  |  |
| Long-term debt |  | 10,094 |  |  | 45,919 |  |
| Operating lease liabilities - related party |  | 10,764,732 |  |  | 11,581,163 |  |
| Finance lease liabilities - related party |  | 389,732 |  |  | 622,395 |  |
| Operating lease liabilities |  | 168,004 |  |  | 402,481 |  |
| Finance lease liabilities |  | 198,179 |  |  | 250,333 |  |
| Total other liabilities |  | 11,530,741 |  |  | 12,902,291 |  |
| Total liabilities |  | 14,107,329 |  |  | 14,990,954 |  |
| **Members’ Equity** |  |  |  |  |  |  |
| Capital contributions |  | 1,237,825 |  |  | 1,182,625 |  |
| Retained earnings |  | 904,341 |  |  | 815,567 |  |
| Total members’ equity |  | 2,142,166 |  |  | 1,998,192 |  |
| Total liabilities and members’ equity | $ | 16,249,495 | $ | | 16,989,146 |  |
|  |  |  |  |  |  |  |



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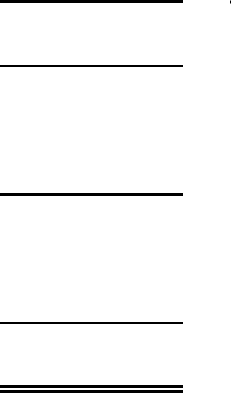
**The Lawrence Memorial Hospital**

**A Component Unit of the City of Lawrence, Kansas**

**Statements of Revenues, Expenses and Changes in Net Position**

**Years Ended December 31, 2023 and 2022**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **As Restated** | |  |
| **Operating Revenues** |  | **2023** |  |  |  | **2022** |  |
|  |  |  |  |  |  |  |
| Net patient service revenue, net of provision for |  |  |  |  |  |  |  |
| uncollectible accounts; 2023 – $14,115,951, |  |  |  |  |  |  |  |
| 2022 – $14,958,634 | $ | 341,555,464 | $ | | | 333,417,179 |  |
| Other |  | 6,222,069 |  |  |  | 5,707,521 |  |
| Total operating revenues |  | 347,777,533 |  |  |  | 339,124,700 |  |
| **Operating Expenses** |  | 150,946,767 |  |  |  | 143,066,890 |  |
| Salaries and wages |  |  |  |  |  |
| Employee benefits |  | 32,844,946 |  |  |  | 31,558,600 |  |
| Professional fees |  | 15,101,307 |  |  |  | 12,734,195 |  |
| Purchased services |  | 22,368,055 |  |  |  | 25,780,672 |  |
| Supplies |  | 78,578,284 |  |  |  | 82,033,179 |  |
| Utilities |  | 4,092,806 |  |  |  | 4,484,974 |  |
| Miscellaneous expenses |  | 1,168,605 |  |  |  | 3,263,857 |  |
| Licenses, taxes and Kansas provider assessment |  | 8,030,506 |  |  |  | 4,259,126 |  |
| Repairs and maintenance |  | 10,481,855 |  |  |  | 10,744,625 |  |
| Depreciation and amortization |  | 21,466,275 |  |  |  | 20,954,622 |  |
| Insurance |  | 2,151,346 |  |  |  | 1,858,328 |  |
| Other capital costs |  | 2,107,709 |  |  |  | 1,985,836 |  |
| Total operating expenses |  | 349,338,461 |  |  |  | 342,724,904 |  |
| **Operating Loss** |  | (1,560,928) |  |  |  | (3,600,204) |  |
| **Nonoperating Revenues (Expenses)** |  | 4,600,254 |  |  |  | (1,121,377) |  |
| Investment income (loss) |  |  |  |  |  |
| Interest income from leases |  | 632,921 |  |  |  | 581,490 |  |
| Interest expense |  | (5,502,401) |  |  |  | (5,880,165) |  |
| Contributions and other |  | 125,789 |  |  |  | 535,854 |  |
| Gain (loss) on sale of capital assets |  | (63,166) |  |  |  | 6,432 |  |
| Gain on investment in equity investees |  | 918,683 |  |  |  | 891,125 |  |
| Total nonoperating revenues (expenses), net |  | 712,080 |  |  |  | (4,986,641) |  |
| **Revenues Under Expenses** |  | (848,848) |  |  |  | (8,586,845) |  |
| **Contributions Restricted for Acquisition of Capital Assets** |  | 2,133,912 |  |  |  | 660,000 |  |
| **Increase (Decrease) in Net Position** |  | 1,285,064 |  |  |  | (7,926,845) |  |
| **Net Position, Beginning of Year** |  | 270,860,121 |  |  |  | 278,786,966 |  |
| **Net Position, End of Year** | $ | 272,145,185 | $ | | | 270,860,121 |  |
|  |  |  |  |  |  |  |  |



*See Notes to Financial Statements* *18*

**The Lawrence Memorial Hospital**

**A Component Unit of the City of Lawrence, Kansas**

**LMH Health Foundation**

**Statements of Activities**

**Years Ended December 31, 2023 and 2022**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | **2023** |  |  |  |  |  |  | **2022** |  |
|  |  | **Without** |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Donor** |  |  | **With Donor** | |  |  |  |  |  |  |  |  |
| **Support and Gains** | **Restrictions** | |  |  | **Restrictions** | |  |  |  | **Total** |  |  | **Total** |  |
| $ | 153,717 | $ | | | 43,159 | $ | | | 196,876 | $ | | 417,298 |  |
| Special event revenue |  |
| Contributions |  | 1,947,914 |  |  |  | 1,293,152 |  |  |  | 3,241,066 |  |  | 14,817,988 |  |
| Contributions of nonfinancial assets |  | 588,820 |  |  |  | 39,226 |  |  |  | 628,046 |  |  | 640,545 |  |
| Interest and dividend income |  | 321,169 |  |  |  | 242,232 |  |  |  | 563,401 |  |  | 363,251 |  |
| Realized and unrealized gains (losses), net |  | 1,290,356 |  |  |  | 1,226,736 |  |  |  | 2,517,092 |  |  | (2,627,596) |  |
| Total support and revenue |  | 4,301,976 |  |  |  | 2,844,505 |  |  |  | 7,146,481 |  |  | 13,611,486 |  |
| Amounts released from restrictions |  | 5,713,976 |  |  |  | (5,713,976) |  |  |  | - |  |  | - |  |
| Total support, revenue and reclassifications |  | 10,015,952 |  |  |  | (2,869,471) |  |  |  | 7,146,481 |  |  | 13,611,486 |  |
| **Expenses** |  | 2,836,787 |  |  |  | - |  |  |  | 2,836,787 |  |  | 1,558,914 |  |
| Program |  |  |  |  |  |  |  |  |  |  |
| General and administrative |  | 218,729 |  |  |  | - |  |  |  | 218,729 |  |  | 227,605 |  |
| Fundraising |  | 304,440 |  |  |  | - |  |  |  | 304,440 |  |  | 310,262 |  |
| Total expenses |  | 3,359,956 |  |  |  | - |  |  |  | 3,359,956 |  |  | 2,096,781 |  |
| **Change in Net Assets** |  | 6,655,996 |  |  |  | (2,869,471) |  |  |  | 3,786,525 |  |  | 11,514,705 |  |
| **Net Assets, Beginning of Year** |  | 7,486,567 |  |  |  | 20,932,982 |  |  |  | 28,419,549 |  |  | 16,904,844 |  |
| **Net Assets, End of Year** | $ | 14,142,563 | $ | | | 18,063,511 | $ | | | 32,206,074 | $ | | 28,419,549 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

*See Notes to Financial Statements* *19*

**The Lawrence Memorial Hospital**

**A Component Unit of the City of Lawrence, Kansas**

**Lawrence Surgery Center, LLC**

**Income Statements**

**Years Ended December 31, 2023 and 2022**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Operating Revenues** |  | **2023** |  |  | **2022** |  |
|  |  |  |  |  |  |
| Patient revenue | $ | 12,052,721 | $ | | 10,945,204 |  |
| Other revenue |  | 1,026 |  |  | 309,804 |  |
| Total operating revenues |  | 12,053,747 |  |  | 11,255,008 |  |
| **Operating Expenses** |  |  |  |  |  |  |
| Salaries and wages |  | 2,896,157 |  |  | 2,730,488 |  |
| Employee benefits |  | 857,028 |  |  | 769,438 |  |
| Supplies |  | 4,350,274 |  |  | 3,600,043 |  |
| Purchased services |  | 404,844 |  |  | 358,479 |  |
| Professional fees |  | 94,542 |  |  | 89,402 |  |
| Depreciation and amortization |  | 453,636 |  |  | 471,440 |  |
| Other expenses |  | 1,879,986 |  |  | 1,873,464 |  |
| Total operating expenses |  | 10,936,467 |  |  | 9,892,754 |  |
| **Operating Income** |  | 1,117,280 |  |  | 1,362,254 |  |
| **Other Income (Expense)** |  |  |  |  |  |  |
| Interest income |  | 4,276 |  |  | 156 |  |
| Interest expense |  | (24,069) |  |  | (30,753) |  |
| Total other expense |  | (19,793) |  |  | (30,597) |  |
| **Net Income** | $ | 1,097,487 | $ | | 1,331,657 |  |
|  |  |  |  |  |  |  |



*See Notes to Financial Statements* *20*

**The Lawrence Memorial Hospital**

**A Component Unit of the City of Lawrence, Kansas**

**Statements of Cash Flows**

**Years Ended December 31, 2023 and 2022**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **As Restated** | |  |
| **Cash Flows from Operating Activities** |  | **2023** |  |  | **2022** |  |
|  |  |  |  |  |  |
| Receipts from and on behalf of patients | $ | 352,291,163 | $ | | 311,528,042 |  |
| Payments to suppliers and contractors | (144,828,733) | | (141,814,578) | | |  |
| Payments to employees | (183,779,960) | | (176,670,760) | | |  |
| Other receipts, net |  | 12,716,958 |  |  | 2,360,736 |  |
| Net cash provided by (used in) operating activities |  | 36,399,428 |  |  | (4,596,560) |  |
| **Cash Flows from Noncapital Financing Activities** |  | 125,789 |  |  | 535,854 |  |
| Noncapital gifts |  |  |  |  |
| Net cash provided by noncapital financing activities |  | 125,789 |  |  | 535,854 |  |
| **Cash Flows from Capital and Related Financing Activities** |  | (2,893,727) |  |  | (3,563,145) |  |
| Principal paid on long-term debt |  |  |  |  |
| Interest paid on long-term debt |  | (4,126,174) |  |  | (4,328,380) |  |
| Principal paid on lease liabilities |  | (1,083,237) |  |  | (1,032,562) |  |
| Interest paid on lease liabilities |  | (181,934) |  |  | (213,098) |  |
| Principal paid on subscription liabilities |  | (5,182,008) |  |  | (5,422,608) |  |
| Interest paid on subscription liabilities |  | (1,686,713) |  |  | (1,345,793) |  |
| Principal payments received on leases receivable |  | 981,199 |  |  | 842,158 |  |
| Interest payments received on leases receivable |  | 632,921 |  |  | 581,490 |  |
| Purchase of capital assets |  | (10,463,659) |  |  | (5,416,338) |  |
| Purchase of subscription assets |  | (463,584) |  |  | (5,000) |  |
| Capital gifts |  | 2,133,912 |  |  | 660,000 |  |
| Proceeds from sale of capital assets |  | 5,800 |  |  | 530,571 |  |
| Net cash used in capital and related financing activities |  | (22,327,204) |  |  | (18,712,705) |  |
| **Cash Flows from Investing Activities** |  | 4,018,149 |  |  | 2,369,792 |  |
| Interest and dividends on investments |  |  |  |  |
| Purchase of investments |  | (19,989,520) |  |  | (66,191,897) |  |
| Sale of investments |  | 22,495,576 |  |  | 13,374,299 |  |
| Advances to and investments in equity investee |  | (75,000) |  |  | - |  |
| Distributions from affiliates |  | 800,427 |  |  | 486,649 |  |
| Net cash provided by (used in) investing activities |  | 7,249,632 |  |  | (49,961,157) |  |
| **Increase (Decrease) in Cash and Cash Equivalents** |  | 21,447,645 |  |  | (72,734,568) |  |
| **Cash and Cash Equivalents, Beginning of Year** |  | 22,914,569 |  |  | 95,649,137 |  |
| **Cash and Cash Equivalents, End of Year** | $ | 44,362,214 | $ | | 22,914,569 |  |
| **Reconciliation of Cash and Cash Equivalents to the** |  |  |  |  |  |  |
|  |  |  |  |  |  |
| **Balance Sheets** |  |  |  |  |  |  |
| Cash and cash equivalents in current assets | $ | 38,378,162 | $ | | 18,378,211 |  |
| Cash and cash equivalents in noncurrent cash and investments |  | 5,984,052 |  |  | 4,536,358 |  |
|  | $ | 44,362,214 | $ | | 22,914,569 |  |
|  |  |  |  |  |  |  |

*See Notes to Financial Statements* *21*

**The Lawrence Memorial Hospital**

**A Component Unit of the City of Lawrence, Kansas**

**Statements of Cash Flows (Continued)**

**Years Ended December 31, 2023 and 2022**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **As Restated** | |  |
| **Reconciliation of Operating Loss to** |  | **2023** |  |  | **2022** |  |
|  |  |  |  |  |  |
| **Net Cash Provided by (Used in) Operating Activities** |  |  |  |  |  |  |
| Operating loss | $ | (1,560,928) | $ | | (3,600,204) |  |
| Depreciation and amortization |  | 21,466,275 |  |  | 20,954,622 |  |
| Changes in operating assets and liabilities |  |  |  |  |  |  |
| Patient accounts receivable, net |  | 9,977,031 |  |  | (775,782) |  |
| Other accounts receivable |  | 919,432 |  |  | (287,187) |  |
| Estimated amounts due from and to third-party payors |  | 758,668 |  |  | (21,113,355) |  |
| Accounts payable and accrued expenses |  | 217,151 |  |  | (521,094) |  |
| Deferred inflows of resources |  | (1,325,241) |  |  | (1,107,638) |  |
| Supplies |  | 89,451 |  |  | 828,457 |  |
| Prepaid expenses |  | 5,774,249 |  |  | 938,697 |  |
| Other |  | 83,340 |  |  | 86,924 |  |
| Net cash provided by (used in) operating activities | $ | 36,399,428 | $ | | (4,596,560) |  |
| **Noncash Investing, Capital and Financing Activities** |  |  |  |  |  |  |
| $ | 660,392 | $ | | 1,659,612 |  |
| Capital asset acquisitions included in accounts payable |  |
| Long-term debt incurred for purchase of capital assets |  | - |  |  | 2,321,770 |  |
| Lease obligation incurred for lease assets |  | 107,212 |  |  | 2,024,667 |  |
| Subscription obligation incurred for subscription assets |  | 665,593 |  |  | 1,605,959 |  |
| New lease receivables acquired through new or amended agreements |  | (983,742) |  |  | (876,726) |  |
| Amortization of original bond premium |  | (393,865) |  |  | (401,533) |  |
| Increase (decrease) in fair value of investments |  | 566,300 |  |  | (3,889,248) |  |

*See Notes to Financial Statements* *22*

**The Lawrence Memorial Hospital**

**A Component Unit of the City of Lawrence, Kansas**

**Notes to Financial Statements**

**December 31, 2023 and 2022**

**Note 1:** **Nature of Operations and Summary of Significant Accounting Policies**

***Nature of Operations and Reporting Entity***

The Lawrence Memorial Hospital (the Hospital), is a component unit of the City of Lawrence, Kansas (the City), which operates a hospital, clinics and other health care facilities for the residents of Lawrence, Kansas and surrounding communities. The Hospital is governed by a board of trustees composed of nine members who are appointed by the Mayor and confirmed by the City Commission.

Lawrence Physicians, LLC (LP, LLC) is considered a blended component unit and operates exclusively for the benefit of, to perform the functions of, and to carry out the purposes of the board of trustees of The Lawrence Memorial Hospital.

The Lawrence Memorial Hospital is the sole member of a nonprofit nonstock corporation, Reed Medical Group MDVIP Affiliate, Corporation (MDVIP). MDVIP is considered a blended component unit of the Hospital and was created to employ the two physicians associated with the Hospital’s Reed Medical Group Physician Practice.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*, LMH Health Foundation (theFoundation) is presented as a discretely presented component unit of the Hospital. See *Note 16* for additional information about the Foundation.

Lawrence Surgery Center, LLC (LSC, LLC) is an ambulatory surgical care center located in Lawrence, Kansas. The Hospital holds 70% ownership interest in LSC, LLC. As the Hospital holds a majority equity interest in LSC, LLC, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 90, *Majority Equity Interests*, the reporting includes LSC, LLC as a component unit of The Lawrence Memorial Hospital and is discretely presented in the Hospital’s financial statements. LSC, LLC reports under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. See *Notes 6* and *17* for additional information about the Hospital’s equity interest in LSC, LLC.

***Basis of Accounting and Presentation***

The financial statements of the Hospital have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, liabilities and deferred inflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary nonexchange transactions (principally federal and state grants and county appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program- specific, government-mandated or voluntary nonexchange transactions. Government-mandated or voluntary nonexchange transactions that are not program specific (such as county appropriations), property taxes, investment income and

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**The Lawrence Memorial Hospital**

**A Component Unit of the City of Lawrence, Kansas**

**Notes to Financial Statements**

**December 31, 2023 and 2022**

interest on capital asset-related debt are included in nonoperating revenues and expenses. The Hospital first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available. The financial statements include the accounts of The Lawrence Memorial Hospital, Lawrence Physicians, LLC and Reed Medical Group MDVIP Affiliate, Corporation (collectively known as the Hospital). All significant inter-company balances and transactions have been eliminated.

***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, liabilities and deferred inflows of resources 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 those estimates.

***Cash Equivalents***

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. The Hospital considers uninvested cash held in investment accounts as cash or cash equivalents. At December 31, 2023, cash equivalents consisted primarily of repurchase agreements and money market mutual funds.

***Patient Accounts Receivable***

The Hospital reports patient accounts receivable for services rendered at net realizable amounts from third-party payors, patients and others. The Hospital provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

***Supplies***

Supply inventories are stated at the lower of cost or market. Costs are determined using the first-in, first-out (FIFO) method.

***Investments and Investment Income***

Investments in nonnegotiable certificates of deposit are carried at amortized cost. Investments in equity investees are reported on the equity method of accounting. All other investments are carried at fair value. Fair value is determined using quoted market prices.

Investment income includes dividend and interest income, realized gains and losses on investments carried at other than fair value and the net change for the year in the fair value of investments carried at fair value.

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**The Lawrence Memorial Hospital**

**A Component Unit of the City of Lawrence, Kansas**

**Notes to Financial Statements**

**December 31, 2023 and 2022**

***Noncurrent Cash and Investments***

Noncurrent cash and investments include (1) assets held by trustees under bond indenture agreements,

1. assets restricted by donors for capital acquisitions and specific purposes and (3) undesignated and unrestricted investments. Amounts required to meet current liabilities of the Hospital are included in current assets. Such funds are primarily invested in money market mutual funds.

***Capital Assets***

Capital asset acquisitions over $5,000 are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight- line method over the estimated useful life of each asset. The following estimated useful lives are being used by the Hospital:

|  |  |  |
| --- | --- | --- |
| Land improvements | 2 | – 25 years |
| Buildings | 35 | – 40 years |
| Leasehold improvements | 5 | – 10 years |
| Equipment |  | 3 – 5 years |
| Computer software |  | 3 – 5 years |

***Lease Assets***

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

***Lease Liabilities***

Lease liabilities are initially recorded at present value of payments expected to be made during the lease term. The lease liabilities are reduced by the principal portion of the lease payments made.

***Subscription Assets***

Subscription assets are initially recorded at the initial measurement of the subscription liability, plus subscription payments made at or before the commencement of the subscription-based information technology arrangement (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor at and certain payments made before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription assets are amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying IT asset.

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**The Lawrence Memorial Hospital**

**A Component Unit of the City of Lawrence, Kansas**

**Notes to Financial Statements**

**December 31, 2023 and 2022**

***Capital, Lease, and Subscription Asset Impairment***

The Hospital evaluates capital, lease, and subscription assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital, lease or subscription asset has occurred. If a capital, lease or subscription asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected the capital asset historical cost and related accumulated depreciation are decreased proportionately such that the net decrease equals the impairment loss.

No asset impairment was recognized during the years ended December 31, 2023 and 2022. ***Compensated Absences***

Hospital policies permit most employees to accumulate paid-time off (PTO) and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as PTO benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Short-term leave benefits expected to be realized as paid-time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized.

Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation- related payments such as Social Security and Medicare taxes computed using rates in effect at that date.

***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; medical malpractice; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than medical malpractice and employee health claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The Hospital is self-insured for a portion of its exposure to risk of loss from employee health claims. Annual estimated provisions are accrued for the self -insured portion of employee health claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

The Hospital purchases medical malpractice insurance under a claims-made policy. Under such policy, only claims made and reported to the insurer are covered during the policy term, regardless of when the incident giving rise to the claim occurred. Under Kansas law, the Kansas Insurance Department provides excess liability insurance through the Kansas Healthcare Stabilization Fund.

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**The Lawrence Memorial Hospital**

**A Component Unit of the City of Lawrence, Kansas**

**Notes to Financial Statements**

**December 31, 2023 and 2022**

***Lease Receivable***

The Hospital is a lessor for noncancellable leases of certain buildings and equipment and recognizes a related lease receivable and deferred inflows of resources. At the commencement of a lease, the Hospital initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflows of resources is recognized as revenue over the life of the lease term.

The Hospital monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

***Deferred Inflows of Resources***

The Hospital reports an acquisition of net assets that is applicable to a future reporting period as deferred inflows of resources in a separate section of its balance sheets.

***Net Position***

Net position of the Hospital is classified in three components on its balance sheets.

Net investment in capital assets consists of capital, lease and subscription assets net of accumulated depreciation and amortization and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.

Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the Hospital, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings.

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

***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. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

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**The Lawrence Memorial Hospital**

**A Component Unit of the City of Lawrence, Kansas**

**Notes to Financial Statements**

**December 31, 2023 and 2022**

***Charity Care***

The Hospital provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue. Charges excluded from revenue under the Hospital’s charity care policy were approximately $4,083,000 and $5,101,000 in 2023 and 2022, respectively.

The costs of charity care provided under the Hospital’s charity care policy were approximately $1,009,000 and $1,580,000 in 2023 and 2022, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

***Income Taxes***

As an essential government function of the City, the Hospital is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the Hospital is subject to federal income tax on any unrelated business taxable income.

**Note 2:** **Deposits, Investments and Investment Income**

***Deposits***

Custodial credit risk is the risk that in the event of a bank failure, a government’s deposits may not be returned to it. The Hospital’s deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance and other acceptable collateral having an aggregate value at least equal to the amount of the deposits.

At December 31, 2023 and 2022, none of the Hospital’s bank deposit balances of approximately $263,000 and $228,000, respectively, were exposed to custodial credit risk.

***Investments***

The Hospital may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. It may also invest to a limited extent in corporate bonds and equity securities.

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**The Lawrence Memorial Hospital**

**A Component Unit of the City of Lawrence, Kansas**

**Notes to Financial Statements**

**December 31, 2023 and 2022**

At December 31, 2023 and 2022, the Hospital had the following investments and maturities:

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **December 31, 2023** | | | |  |  |  |
| **Type** |  | **Fair Value** |  |  | **Maturities in Less** | | | |  |
|  |  | **Than 1 Year** | | |  | **1 – 5** |  |
| U.S. agencies obligations | $ | 46,722,195 | $ | | 15,677,500 |  | $ | 31,044,695 |  |
| Repurchase agreements |  | 41,370,181 |  |  | 41,370,181 |  |  | - |  |
| Money market mutual funds |  | 2,763,618 |  |  | 2,763,618 |  |  | - |  |
| Accrued interest |  | 415,130 |  |  | 415,130 |  |  | - |  |
|  |  | 91,271,124 | $ | | 60,226,429 |  | $ | 31,044,695 |  |
| Equity securities |  | 25,011,863 |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  | $ | 116,282,987 |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **December 31, 2022** | | | |  |  |  |
| **Type** |  | **Fair Value** |  |  | **Maturities in Less** | | | |  |
|  |  | **Than 1 Year** | | |  | **1 – 5** |  |
| U.S. agencies obligations | $ | 49,691,400 | $ | | 7,796,092 |  | $ | 41,895,308 |  |
| Repurchase agreements |  | 19,661,878 |  |  | 19,661,878 |  |  | - |  |
| Money market mutual funds |  | 2,683,341 |  |  | 2,683,341 |  |  | - |  |
| Accrued interest |  | 8,075 |  |  | 8,075 |  |  | - |  |
|  |  | 72,044,694 | $ | | 30,149,386 |  | $ | 41,895,308 |  |
| Equity securities |  | 23,982,414 |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  | $ | 96,027,108 |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |

***Interest Rate Risk***

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Hospital’s investment policy limits its investment portfolio to maturities of five years. The money market mutual funds are presented as investments with a maturity of less than one year because they are immediately redeemable in full.

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**The Lawrence Memorial Hospital**

**A Component Unit of the City of Lawrence, Kansas**

**Notes to Financial Statements**

**December 31, 2023 and 2022**

***Credit Risk***

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the Hospital’s policy to limit its investments in corporate bonds to those that are rated Baa, or better, by Moody’s Investor Services, Inc. and to equity securities included in the Russell 1000 Value Index. At December 31, 2023 and 2022, ratings of the Hospital’s investments in money market mutual funds were rated AAA by Moody’s Investor Services, Inc.

***Custodial Credit Risk***

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Hospital will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the underlying securities for the Hospital’s investments in repurchase agreements at December 31, 2023 and 2022 are held by the third-party custodians in the Hospital’s name. The Hospital’s investment policy requires that a third-party safekeeping agreement be obtained for all third-party custodians.

***Concentration of Credit Risk***

The Hospital places a limit on the amount that may be invested in any single non-federal debt issuer or holdings of equity securities of a single company to no more than 6% of the Hospital’s portfolio value. At December 31, 2023 and 2022, the Hospital’s investments not directly guaranteed by the U.S. government that constituted more than 5% of its total investments are as follows:

**2023** **2022**

|  |  |  |
| --- | --- | --- |
| Repurchase agreements with Commerce Bank, n.a. | 36% | 21% |

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**The Lawrence Memorial Hospital**

**A Component Unit of the City of Lawrence, Kansas**

**Notes to Financial Statements**

**December 31, 2023 and 2022**

***Summary of Carrying Values***

The carrying values of deposits and investments shown above are included in the balance sheets as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Carrying value |  | **2023** |  |  | **2022** |  |
|  |  |  |  |  |  |
| Deposits(1) | $ | 228,415 | $ | | 960,600 |  |
| Investments |  | 116,282,987 |  |  | 96,027,108 |  |
|  | $ | 116,511,402 | $ | | 96,987,708 |  |
| Included in the following balance sheet captions |  |  |  |  |  |  |
|  |  |  |  |  |  |
| Cash and cash equivalents | $ | 38,378,162 | $ | | 18,378,211 |  |
| Current portion of assets held by trustee |  | 2,585,312 |  |  | 2,535,006 |  |
| Noncurrent cash and investments |  | 75,547,928 |  |  | 76,074,491 |  |
|  | $ | 116,511,402 | $ | | 96,987,708 |  |
|  |  |  |  |  |  |  |

(1)The Hospital utilizes an overnight repurchase agreement for its bank deposits to maximize investment return. At December 31, 2023 and 2022, the overnight repurchase agreement amounted to approximately $41,370,000 and $19,662,000, respectively, and its carrying value is included in the investments above. The repurchase agreement balance is included as a cash equivalent on the balance sheets at year end.

***Investment Income (Loss)***

Investment income (loss) for the years ended December 31, 2023 and 2022 consisted of:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | **2023** |  |  | **2022** |
| Interest and dividend income | $ | 4,033,954 | $ | | 2,767,871 |
| Net increase (decrease) in fair value of investments |  | 566,300 |  |  | (3,889,248) |
|  | $ | 4,600,254 | $ | | (1,121,377) |
|  |  |  |  |  |  |

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**The Lawrence Memorial Hospital**

**A Component Unit of the City of Lawrence, Kansas**

**Notes to Financial Statements**

**December 31, 2023 and 2022**

**Note 3:** **Patient Accounts Receivable**

The Hospital grants credit without collateral to its patients, many of whom are area residents and are insured under third -party payor agreements. Patient accounts receivable at December 31, 2023 and 2022 consisted of:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | **2023** |  |  | **2022** |  |
| Medicare | $ | 7,754,686 | $ | | 10,139,587 |  |
| Medicaid |  | 1,425,900 |  |  | 2,268,469 |  |
| Other third-party payors |  | 28,356,101 |  |  | 35,491,938 |  |
| Patients |  | 17,835,435 |  |  | 26,185,227 |  |
| Less allowance for uncollectible accounts |  | 55,372,122 |  |  | 74,085,221 |  |
|  | 15,295,516 |  |  | 24,031,584 |  |
|  | $ | 40,076,606 | $ | | 50,053,637 |  |
|  |  |  |  |  |  |  |



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**The Lawrence Memorial Hospital**

**A Component Unit of the City of Lawrence, Kansas**

**Notes to Financial Statements**

**December 31, 2023 and 2022**

**Note 4:** **Leases Receivable**

The Hospital leases a portion of its real estate to various third parties, the terms of which expire 2025 through 2040. Annual payments increase periodically on several of the leases based upon the terms of the lease agreements. The leases were measured based upon the payments at lease commencement. The Hospital leases certain equipment to Lawrence Surgery Center, LLC, a discretely presented component unit of the Hospital. Annual payments are based upon the terms of the lease agreements.

Revenue recognized under lease contracts during the years ended December 31, 2023 and 2022, were approximately $1,821,000 and $1,424,000, respectively, which includes both lease revenue and interest.

The following schedule is expected future minimum lease payments by year as of December 31, 2023:

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Year Ending** |  | **Total to** |  |  | **Principal** |  |  | **Interest** |  |
| **December 31,** |  | **be Paid** |  |  |  |  |  |
| 2024 | $ | 1,659,645 | $ | | 1,090,775 | $ | | 568,870 |  |
| 2025 |  | 1,661,961 |  |  | 1,138,751 |  |  | 523,210 |  |
| 2026 |  | 1,622,384 |  |  | 1,146,358 |  |  | 476,026 |  |
| 2027 |  | 1,537,186 |  |  | 1,106,850 |  |  | 430,336 |  |
| 2028 |  | 1,395,183 |  |  | 1,008,770 |  |  | 386,413 |  |
| 2029-2033 |  | 5,659,479 |  |  | 4,274,559 |  |  | 1,384,920 |  |
| 2034-2038 |  | 4,136,832 |  |  | 3,502,710 |  |  | 634,122 |  |
| 2039-2040 |  | 1,378,944 |  |  | 1,331,838 |  |  | 47,106 |  |
|  | $ | 19,051,614 | $ | | 14,600,611 | $ | | 4,451,003 |  |
|  |  |  |  |  |  |  |  |  |  |

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**The Lawrence Memorial Hospital**

**A Component Unit of the City of Lawrence, Kansas**

**Notes to Financial Statements**

**December 31, 2023 and 2022**

**Note 5:** **Capital, Lease, and Subscription Assets**

Capital assets activity for the years ended December 31, 2023 and 2022, was:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  | **2023** |  |  |  |  |  |  |
|  |  | **Beginning** |  |  |  |  |  |  |  |  |  |  |  |  | **Ending** |
|  |  | **Balance** |  |  |  | **Additions** |  |  | **Disposals** |  |  | **Transfers** |  |  | **Balance** |
| Land | $ | 12,437,303 | $ | | | 145,539 | $ | | - | $ | | 9,461 | $ | | 12,592,303 |
| Land improvements |  | 9,314,320 |  |  |  | 253,975 |  |  | (70,867) |  |  | 163,475 |  |  | 9,660,903 |
| Buildings and leasehold improvements |  | 250,732,754 |  |  |  | 2,113,703 |  |  | (332,048) |  |  | 2,611,545 |  |  | 255,125,954 |
| Fixed equipment |  | 1,604,694 |  |  |  | - |  |  | (36,891) |  |  | - |  |  | 1,567,803 |
| Major movable equipment |  | 102,328,006 |  |  |  | 3,927,806 |  |  | (4,068,413) |  |  | 1,298,363 |  |  | 103,485,762 |
| Construction in progress |  | 3,733,699 |  |  |  | 3,023,416 |  |  | - |  |  | (4,082,844) |  |  | 2,674,271 |
|  |  | 380,150,776 |  |  |  | 9,464,439 |  |  | (4,508,219) |  |  | - |  |  | 385,106,996 |
| Less accumulated depreciation |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Land improvements |  | 3,676,604 |  |  |  | 453,598 |  |  | (70,867) |  |  | - |  |  | 4,059,335 |
| Buildings and leasehold improvements |  | 77,608,980 |  |  |  | 6,584,890 |  |  | (332,048) |  |  | - |  |  | 83,861,822 |
| Fixed equipment |  | 666,938 |  |  |  | 79,664 |  |  | (36,891) |  |  | - |  |  | 709,711 |
| Major movable equipment |  | 68,037,060 |  |  |  | 6,841,670 |  |  | (4,008,008) |  |  | - |  |  | 70,870,722 |
|  |  | 149,989,582 |  |  |  | 13,959,822 |  |  | (4,447,814) |  |  | - |  |  | 159,501,590 |
| Capital Assets, Net | $ | 230,161,194 | $ | | | (4,495,383) | $ | | (60,405) | $ | | - | $ | | 225,605,406 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  | **2022** |  |  |  |  |  |  |
|  |  | **Beginning** |  |  |  |  |  |  |  |  |  |  |  |  | **Ending** |
|  |  | **Balance** |  |  |  | **Additions** |  |  | **Disposals** |  |  | **Transfers** |  |  | **Balance** |
| Land | $ | 12,628,353 | $ | | | 164,500 | $ | | (355,550) | $ | | - | $ | | 12,437,303 |
| Land improvements |  | 9,331,910 |  |  |  | - |  |  | (17,590) |  |  | - |  |  | 9,314,320 |
| Buildings and leasehold improvements |  | 246,596,901 |  |  |  | 2,985,466 |  |  | (318,581) |  |  | 1,468,968 |  |  | 250,732,754 |
| Fixed equipment |  | 1,623,685 |  |  |  | - |  |  | (18,991) |  |  | - |  |  | 1,604,694 |
| Major movable equipment |  | 103,747,962 |  |  |  | 2,500,267 |  |  | (4,805,230) |  |  | 885,007 |  |  | 102,328,006 |
| Construction in progress |  | 2,363,436 |  |  |  | 3,724,238 |  |  | - |  |  | (2,353,975) |  |  | 3,733,699 |
|  |  | 376,292,247 |  |  |  | 9,374,471 |  |  | (5,515,942) |  |  | - |  |  | 380,150,776 |
| Less accumulated depreciation |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Land improvements |  | 3,236,187 |  |  |  | 458,007 |  |  | (17,590) |  |  | - |  |  | 3,676,604 |
| Buildings and leasehold improvements |  | 71,467,505 |  |  |  | 6,353,829 |  |  | (212,354) |  |  | - |  |  | 77,608,980 |
| Fixed equipment |  | 603,906 |  |  |  | 82,023 |  |  | (18,991) |  |  | - |  |  | 666,938 |
| Major movable equipment |  | 65,901,962 |  |  |  | 6,877,966 |  |  | (4,742,868) |  |  | - |  |  | 68,037,060 |
|  |  | 141,209,560 |  |  |  | 13,771,825 |  |  | (4,991,803) |  |  | - |  |  | 149,989,582 |
| Capital Assets, Net | $ | 235,082,687 | $ | | | (4,397,354) | $ | | (524,139) | $ | | - | $ | | 230,161,194 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

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**The Lawrence Memorial Hospital**

**A Component Unit of the City of Lawrence, Kansas**

**Notes to Financial Statements**

**December 31, 2023 and 2022**

Lease assets activity for the years ended December 31, 2023 and 2022, was:

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **2023** | | |  |  |  |  |
|  |  | **Beginning** |  |  |  |  |  |  |  |  | **Ending** |
|  |  | **Balance** |  |  | **Additions** |  | **Disposals** |  |  |  | **Balance** |
| Buildings | $ | 3,627,171 | $ | | - | $ | | - | $ | | 3,627,171 |
| Equipment |  | 3,791,994 |  |  | 107,212 |  |  | - |  |  | 3,899,206 |
|  |  | 7,419,165 |  |  | 107,212 |  |  | - |  |  | 7,526,377 |
| Less accumulated amortization |  |  |  |  |  |  |  |  |  |  |  |
| Buildings |  | 864,608 |  |  | 432,304 |  |  | - |  |  | 1,296,912 |
| Equipment |  | 1,181,873 |  |  | 637,369 |  |  | - |  |  | 1,819,242 |
|  |  | 2,046,481 |  |  | 1,069,673 |  |  | - |  |  | 3,116,154 |
| Lease Assets, Net | $ | 5,372,684 | $ | | (962,461) | $ | | - | $ | | 4,410,223 |
|  |  |  |  |  |  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **2022** | | |  |  |  |  |
|  |  | **Beginning** |  |  |  |  |  |  |  |  | **Ending** |
|  |  | **Balance** |  |  | **Additions** |  | **Disposals** |  |  |  | **Balance** |
| Buildings | $ | 3,627,171 | $ | | - | $ | | - | $ | | 3,627,171 |
| Equipment |  | 3,791,994 |  |  | - |  |  | - |  |  | 3,791,994 |
|  |  | 7,419,165 |  |  | - |  |  | - |  |  | 7,419,165 |
| Less accumulated amortization |  |  |  |  |  |  |  |  |  |  |  |
| Buildings |  | 432,304 |  |  | 432,304 |  |  | - |  |  | 864,608 |
| Equipment |  | 557,013 |  |  | 624,860 |  |  | - |  |  | 1,181,873 |
|  |  | 989,317 |  |  | 1,057,164 |  |  | - |  |  | 2,046,481 |
| Lease Assets, Net | $ | 6,429,848 | $ | | (1,057,164) | $ | | - | $ | | 5,372,684 |
|  |  |  |  |  |  |  |  |  |  |  |  |

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**The Lawrence Memorial Hospital**

**A Component Unit of the City of Lawrence, Kansas**

**Notes to Financial Statements**

**December 31, 2023 and 2022**

Subscription assets activity for the years ended December 31, 2023 and 2022, was:

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **2023** | | |  |  |  |  |
|  |  | **Beginning** |  |  |  |  |  |  |  |  | **Ending** |
|  |  | **Balance** |  |  | **Additions** |  | **Disposals** | |  |  | **Balance** |
| Subscription IT assets | $ | 50,110,428 | $ | | 1,129,177 | $ | | (153,250) | $ | | 51,086,355 |
|  |  | 50,110,428 |  |  | 1,129,177 |  |  | (153,250) |  |  | 51,086,355 |
| Less accumulated amortization |  |  |  |  |  |  |  |  |  |  |  |
| Subsciption IT assets |  | 6,076,227 |  |  | 6,436,780 |  |  | (153,250) |  |  | 12,359,757 |
|  |  | 6,076,227 |  |  | 6,436,780 |  |  | (153,250) |  |  | 12,359,757 |
| Subscription Assets, Net | $ | 44,034,201 |  | $ | (5,307,603) |  | $ | - |  | $ | 38,726,598 |
|  |  |  |  |  |  |  |  | |  |  |  |
|  |  |  |  |  | **2022 - As Restated** | | | |  |  |  |
|  |  | **Beginning** |  |  |  |  |  |  |  |  | **Ending** |
|  |  | **Balance** |  |  | **Additions** |  | **Disposals** | |  |  | **Balance** |
| Subscription IT assets | $ | 48,548,875 | $ | | 1,610,959 | $ | | (49,406) | $ | | 50,110,428 |
|  |  | 48,548,875 |  |  | 1,610,959 |  |  | (49,406) |  |  | 50,110,428 |
| Less accumulated amortization |  |  |  |  |  |  |  |  |  |  |  |
| Subsciption IT assets |  | - |  |  | 6,125,633 |  |  | (49,406) |  |  | 6,076,227 |
|  |  | - |  |  | 6,125,633 |  |  | (49,406) |  |  | 6,076,227 |
| Subscription Assets, Net | $ | 48,548,875 | $ | | (4,514,674) | $ | | - | $ | | 44,034,201 |
|  |  |  |  |  |  |  |  |  |  |  |  |

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**The Lawrence Memorial Hospital**

**A Component Unit of the City of Lawrence, Kansas**

**Notes to Financial Statements**

**December 31, 2023 and 2022**

**Note 6:** **Other Assets**

***Investment in Lawrence Surgery Center, LLC***

The Hospital has a 70% membership interest in Lawrence Surgery Center, LLC (LSC, LLC) . The net investment totaled approximately $1,500,000 and $1,399,000 at December 31, 2023 and 2022, respectively. The remaining 30% membership interest is held by several physicians who are on the Hospital’s active medical staff.

***Investment in Mid-America Service Solutions, LLC***

In 2022, the Hospital had a 10% membership interest in Mid-America Service Solutions, LLC. In 2023, the Hospital’s interest increased to 33%. The net investment totaled approximately $259,000 and $200,000 at December 31, 2023 and 2022, respectively. The remaining membership interest is held by two other health care organizations in the Midwestern United States.

**Note 7:** **Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses included in current liabilities at December 31, 2023 and 2022 consisted of:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | **2023** |  |  | **2022** |
| Payable to suppliers and contractors | $ | 10,080,647 | $ | | 11,137,936 |
| Payable to employees (including payroll taxes and benefits) |  | 17,272,148 |  |  | 17,410,749 |
| Other |  | 2,673,557 |  |  | 2,410,090 |
|  | $ | 30,026,352 | $ | | 30,958,775 |
|  |  |  |  |  |  |



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**The Lawrence Memorial Hospital**

**A Component Unit of the City of Lawrence, Kansas**

**Notes to Financial Statements**

**December 31, 2023 and 2022**

**Note 8:** **Long-Term Obligations**

The following is a summary of long- term obligation transactions for the Hospital for the years ended December 31, 2023 and 2022:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  | **2023** |  |  |  |  |  |  |  |
|  |  | **Beginning** |  |  |  |  |  |  |  |  | **Ending** |  |  | **Current** |  |
| Long-term debt |  | **Balance** |  |  | **Additions** |  | **Deductions** | |  |  | **Balance** |  |  | **Portion** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Revenue bonds payable |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Series 2018 | $ | 74,865,000 | $ | | - | $ | | 1,430,000 | $ | | 73,435,000 | $ | | 1,500,000 |  |
| Unamortized premiums |  | 6,200,932 |  |  | - |  |  | 393,865 |  |  | 5,807,067 |  |  | - |  |
| Note from direct borrowing |  | 8,734,132 |  |  | - |  |  | 289,305 |  |  | 8,444,827 |  |  | 301,091 |  |
| Other financing obligations |  | 3,844,097 |  |  | - |  |  | 1,174,422 |  |  | 2,669,675 |  |  | 1,094,060 |  |
| Total long-term debt |  | 93,644,161 |  |  | - |  |  | 3,287,592 |  |  | 90,356,569 |  |  | 2,895,151 |  |
| Other long-term liabilities |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Lease liabilities |  | 5,312,999 |  |  | 107,212 |  |  | 1,083,237 |  |  | 4,336,974 |  |  | 1,135,831 |  |
| Subscription liabilities |  | 43,981,041 |  |  | 665,593 |  |  | 5,182,008 |  |  | 39,464,626 |  |  | 4,803,980 |  |
| Total other long-term |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| liabilities |  | 49,294,040 |  |  | 772,805 |  |  | 6,265,245 |  |  | 43,801,600 |  |  | 5,939,811 |  |
| Total long-term |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| obligations | $ | 142,938,201 | $ | | 772,805 | $ | | 9,552,837 | $ | | 134,158,169 | $ | | 8,834,962 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

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**The Lawrence Memorial Hospital**

**A Component Unit of the City of Lawrence, Kansas**

**Notes to Financial Statements**

**December 31, 2023 and 2022**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **2022 - As Restated** | | | | | |  |  |  |  |  |
|  |  | **Beginning** |  |  |  |  |  |  |  |  | **Ending** |  |  | **Current** |  |
| Long-term debt |  | **Balance** |  |  | **Additions** |  | **Deductions** | |  |  | **Balance** |  |  | **Portion** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Revenue bonds payable |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Series 2018 | $ | 76,225,000 | $ | | - | $ | | 1,360,000 | $ | | 74,865,000 | $ | | 1,430,000 |  |
| Unamortized premiums |  | 6,602,465 |  |  | - |  |  | 401,533 |  |  | 6,200,932 |  |  | - |  |
| Note from direct borrowing |  | 9,012,111 |  |  | - |  |  | 277,979 |  |  | 8,734,132 |  |  | 289,305 |  |
| Other financing obligations |  | 3,447,493 |  |  | 2,321,770 |  |  | 1,925,166 |  |  | 3,844,097 |  |  | 1,174,422 |  |
| Total long-term debt |  | 95,287,069 |  |  | 2,321,770 |  |  | 3,964,678 |  |  | 93,644,161 |  |  | 2,893,727 |  |
| Other long-term liabilities |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Medicare advanced and |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| accelerated payments |  | 17,689,190 |  |  | - |  |  | 17,689,190 |  |  | - |  |  | - |  |
| Deferred social security |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| payments |  | 2,105,000 |  |  | - |  |  | 2,105,000 |  |  | - |  |  | - |  |
| Lease liabilities |  | 6,345,561 |  |  | - |  |  | 1,032,562 |  |  | 5,312,999 |  |  | 1,072,104 |  |
| Subscription liabilities |  | 47,797,690 |  |  | 1,605,959 |  |  | 5,422,608 |  |  | 43,981,041 |  |  | 5,182,009 |  |
| Total other long-term |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| liabilities |  | 73,937,441 |  |  | 1,605,959 |  |  | 26,249,360 |  |  | 49,294,040 |  |  | 6,254,113 |  |
| Total long-term |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| obligations | $ | 169,224,510 | $ | | 3,927,729 | $ | | 30,214,038 | $ | | 142,938,201 | $ | | 9,147,840 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

***Revenue Bonds Payable***

The City issued Series 2018 Hospital Revenue Bonds (Bonds) under a Bond Indenture dated June 1, 1994, as amended and supplemented, to finance expansion and renovation of Hospital facilities, acquire equipment and property, refinance prior bond issues and reimburse the Hospital for certain capital expenditures. Under related Lease and Guaranty Agreements dated June 1, 1994, as amended and supplemented, the Hospital leases its facilities and substantially all equipment from the City. The Bonds and interest thereon are special, limited obligations of the City payable solely from: (i) lease payments from the Hospital, (ii) a pledge of the Hospital’s gross revenues, (iii) a pledge of most Hospital facilities and equipment and (iv) amounts on deposit with the Bond Trustee. Therefore, both the Hospital facilities and equipment and bonds payable are recorded in the accompanying financial statements.

The indenture agreements require that certain funds be established with the trustee. Accordingly, these funds are included as assets held by trustee for debt service in the balance sheets. The indenture agreements also require the Hospital to comply with certain restrictive covenants including minimum insurance coverage, maintaining a historical debt-service coverage ratio of at least 1.10 to 1.00, and restrictions on incurrence of additional debt.

Bond premiums are amortized over the life of the bonds using the effective interest method.

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**The Lawrence Memorial Hospital**

**A Component Unit of the City of Lawrence, Kansas**

**Notes to Financial Statements**

**December 31, 2023 and 2022**

Additional information about the bond Series 2018 is as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Original** | **Interest** | **Final** |
|  | **Balance** | **Rates** | **Maturity** |
| Series 2018 | $ 77,520,000 | 3.50% - 5.00% | 7/1/2048 |
| ***Note from Direct Borrowing*** |  |  |  |

The Hospital’s outstanding note from direct borrowing of approximately $8,445,000 is secured by, among other things, the Assignment, Mortgage, and other Loan Documents (Security Instruments). This outstanding note contains (1) a provision that in an event of default, the timing of repayment of outstanding amounts become immediately due if any payment of principal and interest or any other required payment is not received by the lender on or before five days after the date that such payment is due; and (2) a provision that if the Hospital is unable to make payment, outstanding amounts are due immediately. The note also contains a subjective acceleration clause that allows the lender to accelerate payment of the entire principal amount to become immediately due if the lender determines that a material adverse change occurs. Monthly payments include principal and interest of 4.0% with the term expiring in 2043.

***Debt Service Requirements***

Debt service requirements on long-term debt other than lease and subscription liabilities as of

December 31, 2023, are as follows:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Year Ending** |  | **Total to** | |  | **Bonds** | | |  |  |  | **Direct Borrowings** | | | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| **December 31,** |  | **be Paid** | |  | **Principal** |  |  | **Interest** |  |  | **Principal** |  |  | **Interest** |  |
| 2024 | $ | 5,020,563 |  | $ | 1,500,000 | $ | | 3,520,563 | $ | | 301,091 | $ | | 332,313 |  |
| 2025 |  | 5,020,563 |  |  | 1,575,000 |  |  | 3,445,563 |  |  | 313,358 |  |  | 320,046 |  |
| 2026 |  | 5,021,813 |  |  | 1,655,000 |  |  | 3,366,813 |  |  | 326,125 |  |  | 307,279 |  |
| 2027 |  | 5,019,063 |  |  | 1,735,000 |  |  | 3,284,063 |  |  | 339,412 |  |  | 293,992 |  |
| 2028 |  | 5,022,313 |  |  | 1,825,000 |  |  | 3,197,313 |  |  | 353,240 |  |  | 280,164 |  |
| 2029-2033 |  | 25,104,065 |  |  | 10,580,000 |  |  | 14,524,065 |  |  | 1,994,164 |  |  | 1,172,857 |  |
| 2034-2038 |  | 25,104,615 |  |  | 13,185,000 |  |  | 11,919,615 |  |  | 2,434,867 |  |  | 732,154 |  |
| 2039-2043 |  | 25,692,500 |  |  | 16,900,000 |  |  | 8,792,500 |  |  | 2,382,570 |  |  | 203,831 |  |
| 2044-2048 |  | 28,271,500 |  |  | 24,480,000 |  |  | 3,791,500 |  |  | - |  |  | - |  |
|  | $ | 129,276,995 |  | $ | 73,435,000 | $ | | 55,841,995 | $ | | 8,444,827 | $ | | 3,642,636 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |



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**The Lawrence Memorial Hospital**

**A Component Unit of the City of Lawrence, Kansas**

**Notes to Financial Statements**

**December 31, 2023 and 2022**

***Other Financing Obligations***

The Hospital is obligated under certain financings for purchase of equipment totaling approximately $2,670,000 and $ 3,844,000 at December 31, 2023 and 2022, respectively. Monthly payments of obligations include principal plus interest ranging from 3.25% to 4.0%, terms expire in various years through 2026.

***Medicare Accelerated and Advanced Payment Program***

During the year ended December 31, 2020, the Hospital requested accelerated Medicare payments as provided for in the CARES Act, which allows for eligible health care facilities to request up to six months of advance Medicare payments for acute care hospitals or up to three months of advance Medicare payments for other health care providers. These amounts are expected to be recaptured by the Centers for Medicare and Medicaid Services (CMS) according to the payback provisions.

Effective September 30, 2020, the payback provisions were revised and extended the payback period to begin one year after the issuance of the advance payment through a phased payback period approach. The first 11 months of the payback period will be at 25% of the remittance advice payment followed by a six -month payback period at 50% of the remittance advice payment. After 29 months, CMS expects any amount not paid back through the withhold amounts to be paid back in a lump sum or interest will begin to accrue subsequent to the 29 month at a rate of 4%.

During the year ended December 31, 2020, the Hospital received approximately $28,102,000 from these accelerated Medicare payment requests. As of December 31, 2022, all accelerated and advanced payments were recaptured by CMS.

***Payroll Tax Credits***

The CARES Act provides for a deferral of payments of the employer portion of payroll tax incurred during the pandemic, allowing half of such payroll taxes be deferred until December 2021 and the remaining half until December 2022. As of December 31, 2022, no deferred payroll taxes remained.

**Note 9:** **Lease Liabilities**

The Hospital leases equipment and real estate, the terms of which expire in various years through 2036. The leases were measured based upon the discount rate at lease commencement.

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**The Lawrence Memorial Hospital**

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**Notes to Financial Statements**

**December 31, 2023 and 2022**

The following is a schedule by year of payments under the leases as of December 31, 2023:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Year Ending** |  | **Total to** |  |  |  |  |  |  |
| **December 31,** |  | **be Paid** |  |  | **Principal** |  |  | **Interest** |
| 2024 | $ | 1,281,823 | $ | | 1,135,831 | $ | | 145,992 |
| 2025 |  | 763,025 |  |  | 646,291 |  |  | 116,734 |
| 2026 |  | 341,232 |  |  | 241,800 |  |  | 99,432 |
| 2027 |  | 322,181 |  |  | 233,043 |  |  | 89,138 |
| 2028 |  | 310,251 |  |  | 231,276 |  |  | 78,975 |
| 2029-2033 |  | 1,584,932 |  |  | 1,340,472 |  |  | 244,460 |
| 2034-2036 |  | 531,125 |  |  | 508,261 |  |  | 22,864 |
|  | $ | 5,134,569 | $ | | 4,336,974 | $ | | 797,595 |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |

**Note 10: Subscription Liabilities**

The Hospital has various subscription- based information technology arrangements (SBITAs), the terms of which expire in various years through 2033. Variable payments of certain subscriptions are based upon the Consumer Price Index (Index). The subscriptions were measured based upon the Index at commencement of the SBITA term. Variable payments based upon the use of the underlying asset are not included in the subscription liability because they are not fixed in substance.

The following is a schedule by year of payments under the SBITAs as of December 31, 2023:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Year Ending** |  | **Total to** |  |  |  |  |  |  |
| **December 31,** |  | **be Paid** |  |  | **Principal** |  |  | **Interest** |
| 2024 | $ | 6,276,120 | $ | | 4,803,980 | $ | | 1,472,140 |
| 2025 |  | 5,908,956 |  |  | 4,625,342 |  |  | 1,283,614 |
| 2026 |  | 5,728,008 |  |  | 4,626,511 |  |  | 1,101,497 |
| 2027 |  | 5,082,818 |  |  | 4,156,708 |  |  | 926,110 |
| 2028 |  | 4,684,638 |  |  | 3,918,978 |  |  | 765,660 |
| 2029-2033 |  | 18,727,501 |  |  | 17,333,107 |  |  | 1,394,394 |
|  | $ | 46,408,041 | $ | | 39,464,626 | $ | | 6,943,415 |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |

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**The Lawrence Memorial Hospital**

**A Component Unit of the City of Lawrence, Kansas**

**Notes to Financial Statements**

**December 31, 2023 and 2022**

**Note 11: Assets Held in Trust**

Prior to 2023, the Hospital was the recipient of investment income from a perpetual endowment

fund created under the last will and testament of Elizabeth M. Watkins. The will stipulated that

the corpus is to be maintained inviolate under the administration of a trustee and the net investment

income is to be distributed each year to the Hospital as long as the Hospital continues to be a

charitable institution. The market value of the trust was approximately $2,202,000 at

December 31, 2022. Assets of this trust are not included in the accompanying financial statements.

Trust income received is reported as other nonoperating income.

In 2023, it was deemed proper, appropriate, and consistent with Elizabeth M. Watkins’ probable intentions that the terms of the trust be modified so that the income of the trust be distributed to the LMH Health Foundation. No income distributions were received by the Hospital in 2023.

**Note 12: Medical Malpractice Claims**

The Hospital purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Hospital’s claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

**Note 13: Employee Health Claims**

Substantially all of the Hospital’s employees and their dependents are eligible to participate in the Hospital’s employee health insurance plan. The Hospital is self-insured for health claims of participating employees and dependents up to an annual aggregate amount of $ 250,000 and $200,000 per individual in 2023 and 2022, respectively. Commercial stop-loss insurance coverage is purchased for claims in excess of the aggregate annual amount.

A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the Hospital’s estimate will change by a material amount in the near term.

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**The Lawrence Memorial Hospital**

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**Notes to Financial Statements**

**December 31, 2023 and 2022**

Activity in the Hospital’s accrued employee health claims liability during 2023 and 2022 is summarized as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | **2023** |  |  | **2022** |
| Balance, beginning of year | $ | 1,958,365 | $ | | 2,188,365 |
| Claims incurred |  | 14,321,797 |  |  | 13,697,071 |
| Claims and expenses paid | (14,521,752) | |  | (13,927,071) | |
| Balance, end of year | $ | 1,758,410 | $ | | 1,958,365 |
|  |  |  |  |  |  |

**Note 14: 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. These payment arrangements include:

*Medicare*. Certain inpatient acute care services are paid at prospectively determined rates per discharge based on clinical, diagnostic and other factors. Certain services are paid based on cost-reimbursement methodologies subject to certain limits. Physician services are paid based upon established fee schedules. Outpatient services are paid using prospectively determined rates. The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor.

*Medicaid*. Reimbursements for Medicaid services are generally paid at prospectively determined rates per discharge, per occasion of service or per covered member. The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid administrative contractor.

*Other*. Payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Approximately 33% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2023 and 2022. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

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**The Lawrence Memorial Hospital**

**A Component Unit of the City of Lawrence, Kansas**

**Notes to Financial Statements**

**December 31, 2023 and 2022**

**Note 15: Employee Benefit Plans**

***457b Defined Contribution Plan***

The Hospital sponsors a defined contribution retirement plan covering substantially all employees over age 18 with 1,000 hours of service. The plan is administered by a committee appointed by the board of trustees.

The plan provides retirement benefits to plan members. Benefit provisions are contained in the plan document and were established and can be amended by action of the board of trustees. Contributions made by plan members totaled approximately $9,042,000 and $7,376,000 in 2023 and 2022, respectively. The Hospital does not contribute to the 457b defined contribution plan.

***401a Defined Contribution Plan***

The Hospital contributes to a defined contribution plan covering substantially all employees over the age of 18 with 1,000 hours of service. Retirement expense is recorded for the amount of the Hospital’s required contributions, determined in accordance with the terms of the plan. The plan is administered by a committee appointed by the board of trustees.

The plan provides retirement benefits to plan members. Benefit provisions are contained in the plan document and were established and can be amended by action of the board of trustees.

Contributions aggregated approximately $6,669,000 and $6,004,000 during 2023 and 2022, respectively. Employer contributions to the plan are based on the following contribution types:

Employer Basic Contributions

All participants other than physicians are eligible to receive an allocation of employer basic contributions. The employer basic contribution to which a participant is entitled for each quarter of a plan year shall be 2% of the participant's compensation for such quarter plan year. Only those participants who are employed on the last day of the quarter plan year shall be entitled to an allocation of employer basic contributions for such quarter of the plan year.

Employer Matching Contributions

All participants other than physicians are eligible to receive an allocation of employer matching contributions. Except as limited below, the employer matching contributions to which a participant is entitled for a plan year is an amount equal to 50% of the participant's elective deferral contributions to the 457(b) defined contribution plan for such plan year. However, employer matching contributions for participants whose employment classification is not administrative or director level shall not exceed 2% of the participant's compensation for the plan year, and employer matching contributions for participants whose employment classification is administrative or director level shall not exceed 4% of the participant's compensation for such plan year.

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**The Lawrence Memorial Hospital**

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**Notes to Financial Statements**

**December 31, 2023 and 2022**

Employee Deferral Agreements

The Hospital may, at its discretion, enter into individual compensation deferral agreements with certain employees and physicians, wherein the Hospital agrees to contribute a specified amount of deferred compensation on an annual basis to the plan.

**Note 16: LMH Health Foundation**

The LMH Health Foundation (the Foundation) is a legally separate tax- exempt component unit of the Hospital. The Foundation is exclusively dedicated to the support of the Hospital. The Foundation’s operations are managed by a board of directors separate from the Hospital’s board.

In October 1984, the City, upon request of the Hospital, passed an ordinance granting the Hospital’s board of trustees the power to transfer personal property and funds previously donated to the Hospital to the Foundation to be held in trust for the benefit of the Hospital. A trust agreement was established between the Hospital and the Foundation.

Although the Hospital does not control the timing or amount of receipts from the Foundation, substantially all of the Foundation’s resources and related income are restricted by donors for the benefit of the Hospital. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the Hospital, the Foundation is considered a component unit of the Hospital and is discretely presented in the Hospital’s financial statements.

During the years ended December 31, 2023 and 2022, the Foundation provided approximately $2,134,000 and $1,057,000 of support to the Hospital, respectively. Complete financial statements of the Foundation may be obtained from its Administrative Office at the following address: LMH Health Foundation, 325 Maine Street, Lawrence, Kansas 66044.

The Foundation reports under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation’s statements in the Hospital’s financial reporting entity for these differences.

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**The Lawrence Memorial Hospital**

**A Component Unit of the City of Lawrence, Kansas**

**Notes to Financial Statements**

**December 31, 2023 and 2022**

**Note 17: Lawrence Surgery Center, LLC**

Lawrence Surgery Center, LLC (LSC, LLC) is a legally separate tax-exempt component unit of the Hospital. LSC, LLC is a joint venture between the Hospital and several physicians who are on the Hospital’s active medical staff. LSC, LLC’s operations are managed by a board of directors separate from the Hospital’s board. LSC, LLC reports under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

LSC, LLC has entered into agreements with the Hospital to lease certain equipment and for certain information technology support services. In connection with these agreements LSC, LLC paid the Hospital approximately $110,000 and $115,000 for these services during 2023 and 2022, respectively. LSC, LLC leased certain real estate from the Hospital for approximately $975,000 during 2023 and 2022. As a result of these agreements, LSC, LLC has approximately $12,084,000 in related party lease liabilities recorded on its balance sheet at December 31, 2023. The Hospital has corresponding related party lease receivables of approximately $10,482,000 recorded on its balance sheet at December 31, 2023. As LSC, LLC’s related party lease liabilities are recorded under those standards issued by the FASB, LSC, LLC’s related party lease liabilities will not equal those related party lease receivables recorded on the Hospital’s balance sheets, which are recorded under those standards issued by the GASB.

LSC, LLC approved member distributions to the Hospital of approximately $729,000 and $932,000 during the years ended December 31, 2023 and 2022, respectively.

Complete financial statements of LSC, LLC may be obtained from its Administrative Office at the following address: Lawrence Surgery Center, LLC, 6265 Rock Chalk Dr., Lawrence, Kansas 66049.

**Note 18: Disclosures About Fair Value of Assets and Liabilities**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

**Level 1** Quoted prices in active markets for identical assets or liabilities

**Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

**Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

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**The Lawrence Memorial Hospital**

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**Notes to Financial Statements**

**December 31, 2023 and 2022**

***Recurring Measurements***

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2023 and 2022:

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **Quoted Prices in** | |  |  | **Significant** |  |  | **Significant** |  |
|  |  |  |  | **Active Markets** | |  |  | **Other** |  |  |  |
|  |  |  |  |  | **for Identical** |  | **Observable** | |  | **Unobservable** | |  |
|  |  |  |  |  | **Assets** |  |  | **Inputs** |  |  | **Inputs** |  |
| **Type** |  | **Fair Value** |  |  | **(Level 1)** |  |  | **(Level 2)** |  |  | **(Level 3)** |  |
| **December 31, 2023** | $ | 46,722,195 | $ | | - | $ | | 46,722,195 | $ | | - |  |
| U.S. agencies obligations |  |
| Repurchase agreements |  | 41,370,181 |  |  | 41,370,181 |  |  | - |  |  | - |  |
| Money market mutual funds |  | 2,763,618 |  |  | 2,763,618 |  |  | - |  |  | - |  |
| Equity securities |  | 25,011,863 |  |  | 25,011,863 |  |  | - |  |  | - |  |
|  |  | 115,867,857 | $ | | 69,145,662 | $ | | 46,722,195 | $ | | - |  |
| Accrued interest |  | 415,130 |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  | $ | 116,282,987 |  |  |  |  |  |  |  |  |  |  |
| **December 31, 2022** |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
| $ | 49,691,400 | $ | | - | $ | | 49,691,400 | $ | | - |  |
| U.S. agencies obligations |  |
| Repurchase agreements |  | 19,661,878 |  |  | 19,661,878 |  |  | - |  |  | - |  |
| Money market mutual funds |  | 2,683,341 |  |  | 2,683,341 |  |  | - |  |  | - |  |
| Equity securities |  | 23,982,414 |  |  | 23,982,414 |  |  | - |  |  | - |  |
|  |  | 96,019,033 | $ | | 46,327,633 | $ | | 49,691,400 | $ | | - |  |
| Accrued interest |  | 8,075 |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  | $ | 96,027,108 |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |



***Investments***

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

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**The Lawrence Memorial Hospital**

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**Notes to Financial Statements**

**December 31, 2023 and 2022**

**Note 19: Contingencies**

***Litigation***

In the normal course of business, the Hospital is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Hospital’s commercial insurance; for example, allegations regarding employment practices or performance of contracts. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

***Investments***

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

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**The Lawrence Memorial Hospital**

**A Component Unit of the City of Lawrence, Kansas**

**Notes to Financial Statements**

**December 31, 2023 and 2022**

**Note 20: Condensed Combining Information**

The following tables (*in thousands*) include condensed combining balance sheet information for the Hospital and its blended component units as of December 31, 2023 and 2022:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | **December 31, 2023** | | | | |  |  |  |  |  |  |
|  |  | **The** |  |  |  |  |  | **Reed** | | |  |  |  |  |  |  |
|  | **Lawrence** | |  | **Lawrence** | |  |  | **Medical** | | |  |  |  |  |  |  |
|  | **Memorial** | |  | **Physicians,** | |  |  | **Group** | | |  |  |  |  |  |  |
| **Assets** |  | **Hospital** |  |  | **LLC** |  |  | **MDVIP** | | | **Eliminations** | |  | **Combined** | |  |
| $ | 88,384 | $ | | 6,481 | $ | | 159 |  |  | $ | - | $ | | 95,024 |  |
| Current assets |  |  |  |
| Capital assets |  | 225,605 |  |  | - |  |  | - |  |  |  | - |  |  | 225,605 |  |
| Other assets |  | 140,528 |  |  | - |  |  | - |  |  |  | (6,481) |  |  | 134,047 |  |
| Total assets | $ | 454,517 | $ | | 6,481 | $ | | 159 |  |  | $ | (6,481) | $ | | 454,676 |  |
| **Liabilities** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| $ | 43,285 | $ | | - | $ | | 170 |  |  | $ | - | $ | | 43,455 |  |
| Current liabilities |  |  |  |
| Noncurrent liabilities |  | 125,323 |  |  | - |  |  | - |  |  |  | - |  |  | 125,323 |  |
| Total liabilities |  | 168,608 |  |  | - |  |  | 170 |  |  |  | - |  |  | 168,778 |  |
| **Deferred Inflows of Resources** |  | 13,753 |  |  | - |  |  | - |  |  |  | - |  |  | 13,753 |  |
| **Net Position** |  | 134,334 |  |  | - |  |  | - |  |  |  | - |  |  | 134,334 |  |
| Net investment in capital and lease assets |  |  |  |  |  |  |  |  |  |  |  |
| Restricted - expendable for |  | 3,220 |  |  | - |  |  | - |  |  |  | - |  |  | 3,220 |  |
| Capital acquisition |  |  |  |  |  |  |  |  |  |  |  |
| Unrestricted |  | 134,602 |  |  | 6,481 |  |  | (11) |  |  |  | (6,481) |  |  | 134,591 |  |
| Total net position |  | 272,156 |  |  | 6,481 |  |  | (11) |  |  |  | (6,481) |  |  | 272,145 |  |
| Total liabilities, deferred inflows of | $ | 454,517 | $ | | 6,481 | $ | | 159 |  |  | $ | (6,481) | $ | | 454,676 |  |
| resources and net position |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

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**The Lawrence Memorial Hospital**

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**Notes to Financial Statements**

**December 31, 2023 and 2022**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **December 31, 2022 - As Restated** | | | | | |  |  |  |  |  |
|  |  | **The** |  |  |  |  |  | **Reed** |  |  |  |  |  |  |  |
|  | **Lawrence** | |  | **Lawrence** | |  |  | **Medical** |  |  |  |  |  |  |  |
|  | **Memorial** | |  | **Physicians,** | |  |  | **Group** |  |  |  |  |  |  |  |
| **Assets** |  | **Hospital** |  |  | **LLC** |  |  | **MDVIP** |  | **Eliminations** | |  | **Combined** | |  |
| $ | 84,615 | $ | | 8,268 | $ | | 139 | $ | | - | $ | | 93,022 |  |
| Current assets |  |
| Capital assets |  | 230,161 |  |  | - |  |  | - |  |  | - |  |  | 230,161 |  |
| Other assets |  | 149,078 |  |  | - |  |  | - |  |  | (8,268) |  |  | 140,810 |  |
| Total assets | $ | 463,854 | $ | | 8,268 | $ | | 139 | $ | | (8,268) | $ | | 463,993 |  |
| **Liabilities** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| $ | 45,099 | $ | | - | $ | | 150 | $ | | - | $ | | 45,249 |  |
| Current liabilities |  |
| Noncurrent liabilities |  | 133,790 |  |  | - |  |  | - |  |  | - |  |  | 133,790 |  |
| Total liabilities |  | 178,889 |  |  | - |  |  | 150 |  |  | - |  |  | 179,039 |  |
| **Deferred Inflows of Resources** |  | 14,094 |  |  | - |  |  | - |  |  | - |  |  | 14,094 |  |
| **Net Position** |  | 141,444 |  |  | - |  |  | - |  |  | - |  |  | 141,444 |  |
| Net investment in capital and lease assets |  |  |  |  |  |  |  |  |  |  |
| Restricted - expendable for |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Capital acquisition |  | 1,820 |  |  | - |  |  | - |  |  | - |  |  | 1,820 |  |
| Specific operating activities |  | 33 |  |  | - |  |  | - |  |  | - |  |  | 33 |  |
| Unrestricted |  | 127,574 |  |  | 8,268 |  |  | (11) |  |  | (8,268) |  |  | 127,563 |  |
| Total net position |  | 270,871 |  |  | 8,268 |  |  | (11) |  |  | (8,268) |  |  | 270,860 |  |
| Total liabilities, deferred inflows of | $ | 463,854 | $ | | 8,268 | $ | | 139 | $ | | (8,268) | $ | | 463,993 |  |
| resources and net position |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

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**The Lawrence Memorial Hospital**

**A Component Unit of the City of Lawrence, Kansas**

**Notes to Financial Statements**

**December 31, 2023 and 2022**

The following tables ( *in thousands*) include condensed combining statements of revenues, expenses and changes in net position information for the Hospital and its blended component units for the years ended December 31, 2023 and 2022:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **Year Ended December 31, 2023** | | | | | | |  |  |  |  |  |
|  |  | **The** |  |  |  |  |  | **Reed** |  |  |  |  |  |  |  |  |
|  | **Lawrence** | |  | **Lawrence** | |  |  | **Medical** |  |  |  |  |  |  |  |  |
|  | **Memorial** | |  | **Physicians,** | |  |  | **Group** |  |  |  |  |  |  |  |  |
| **Operating Revenues** |  | **Hospital** |  |  | **LLC** |  |  | **MDVIP** |  | **Eliminations** | |  |  | **Combined** | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net patient service revenue | $ | 279,632 | $ | | 60,085 | $ | | 1,838 | $ | | - | $ | | | 341,555 |  |
| Other operating revenues |  | 108,548 |  |  | 2,916 |  |  | - |  |  | (105,242) |  |  |  | 6,222 |  |
| Total operating revenues |  | 388,180 |  |  | 63,001 |  |  | 1,838 |  |  | (105,242) |  |  |  | 347,777 |  |
| **Operating Expenses** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Salaries and wages and employee benefits |  | 182,725 |  |  | - |  |  | 1,507 |  |  | (440) |  |  |  | 183,792 |  |
| Purchased services and professional fees |  | 37,468 |  |  | 104,624 |  |  | 29 |  |  | (104,652) |  |  |  | 37,469 |  |
| Other operating expenses |  | 127,925 |  |  | - |  |  | 302 |  |  | (150) |  |  |  | 128,077 |  |
| Total operating expenses |  | 348,118 |  |  | 104,624 |  |  | 1,838 |  |  | (105,242) |  |  |  | 349,338 |  |
| **Operating Income (Loss)** |  | 40,062 |  |  | (41,623) |  |  | - |  |  | - |  |  |  | (1,561) |  |
| **Nonoperating Expenses** |  | (1,075) |  |  | - |  |  | - |  |  | 1,787 |  |  |  | 712 |  |
| **Revenues Over (Under) Expenses** |  | 38,987 |  |  | (41,623) |  |  | - |  |  | 1,787 |  |  |  | (849) |  |
| **Contributions Restricted for Acquisition of** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Capital Assets** |  | 2,134 |  |  | - |  |  | - |  |  | - |  |  |  | 2,134 |  |
| **Transfers from Hospital** |  | (39,836) |  |  | 39,836 |  |  | - |  |  | - |  |  |  | - |  |
| **Increase (Decrease) in Net Position** |  | 1,285 |  |  | (1,787) |  |  | - |  |  | 1,787 |  |  |  | 1,285 |  |
| **Beginning Net Position** |  | 270,871 |  |  | 8,268 |  |  | (11) |  |  | (8,268) |  |  |  | 270,860 |  |
| **Ending Net Position** | $ | 272,156 | $ | | 6,481 | $ | | (11) | $ | | (6,481) | $ | | | 272,145 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

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**The Lawrence Memorial Hospital**

**A Component Unit of the City of Lawrence, Kansas**

**Notes to Financial Statements**

**December 31, 2023 and 2022**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **Year Ended December 31, 2022 - As Restated** | | | | | | | |  |  |  |  |
|  |  | **The** |  |  |  |  |  | **Reed** |  |  |  |  |  |  |  |
|  | **Lawrence** | |  | **Lawrence** | |  |  | **Medical** |  |  |  |  |  |  |  |
|  | **Memorial** | |  | **Physicians,** | |  |  | **Group** |  |  |  |  |  |  |  |
| **Operating Revenues** |  | **Hospital** |  |  | **LLC** |  |  | **MDVIP** |  | **Eliminations** | |  | **Combined** | |  |
| $ | 276,367 | $ | | 55,402 | $ | | 1,648 | $ | | - | $ | | 333,417 |  |
| Net patient service revenue |  |
| Other operating revenues |  | 101,398 |  |  | 2,565 |  |  | - |  |  | (98,255) |  |  | 5,708 |  |
| Total operating revenues |  | 377,765 |  |  | 57,967 |  |  | 1,648 |  |  | (98,255) |  |  | 339,125 |  |
| **Operating Expenses** |  | 173,635 |  |  | - |  |  | 1,410 |  |  | (420) |  |  | 174,625 |  |
| Salaries and wages and employee benefits |  |  |  |  |  |  |  |  |  |  |
| Purchased services and professional fees |  | 38,515 |  |  | 97,702 |  |  | 21 |  |  | (97,723) |  |  | 38,515 |  |
| Other operating expenses |  | 129,480 |  |  | - |  |  | 217 |  |  | (112) |  |  | 129,585 |  |
| Total operating expenses |  | 341,630 |  |  | 97,702 |  |  | 1,648 |  |  | (98,255) |  |  | 342,725 |  |
| **Operating Income (Loss)** |  | 36,135 |  |  | (39,735) |  |  | - |  |  | - |  |  | (3,600) |  |
| **Nonoperating Expenses** |  | (5,758) |  |  | - |  |  | - |  |  | 771 |  |  | (4,987) |  |
| **Revenues Over (Under) Expenses** |  | 30,377 |  |  | (39,735) |  |  | - |  |  | 771 |  |  | (8,587) |  |
| **Contributions Restricted for Acquisition of** |  | 660 |  |  | - |  |  | - |  |  | - |  |  | 660 |  |
| **Capital Assets** |  |  |  |  |  |  |  |  |  |  |
| **Transfers from Hospital** |  | (38,964) |  |  | 38,964 |  |  | - |  |  | - |  |  | - |  |
| **Decrease in Net Position** |  | (7,927) |  |  | (771) |  |  | - |  |  | 771 |  |  | (7,927) |  |
| **Beginning Net Position** |  | 278,798 |  |  | 9,039 |  |  | (11) |  |  | (9,039) |  |  | 278,787 |  |
| **Ending Net Position** | $ | 270,871 | $ | | 8,268 | $ | | (11) | $ | | (8,268) | $ | | 270,860 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

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**The Lawrence Memorial Hospital**

**A Component Unit of the City of Lawrence, Kansas**

**Notes to Financial Statements**

**December 31, 2023 and 2022**

The following tables (*in thousands*) include condensed combining statements of cash flows information for the Hospital and its blended component units for the years ended December 31, 2023 and 2022:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **Year Ended December 31, 2023** | | | | | | |  |  |  |  |  |
|  |  | **The** |  |  |  |  |  | **Reed** |  |  |  |  |  |  |  |  |
|  |  | **Lawrence** |  |  | **Lawrence** |  |  | **Medical** |  |  |  |  |  |  |  |  |
|  |  | **Memorial** |  | **Physicians,** | |  |  | **Group** |  |  |  |  |  |  |  |  |
| **Net Cash Provided by (Used in)** |  | **Hospital** |  |  | **LLC** |  |  | **MDVIP** |  |  | **Eliminations** | |  |  | **Combined** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Operating Activities** | $ | 76,260 | $ | | (39,836) | $ | | (25) | $ | | | - | $ | | 36,399 |  |
| **Net Cash Provided by (Used in) Noncapital** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Financing Activities** |  | (39,710) |  |  | 39,836 |  |  | - |  |  |  | - |  |  | 126 |  |
| **Net Cash Used in Capital and Related** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Financing Activities** |  | (22,328) |  |  | - |  |  | - |  |  |  | - |  |  | (22,328) |  |
| **Net Cash Provided by Investing Activities** |  | 7,250 |  |  | - |  |  | - |  |  |  | - |  |  | 7,250 |  |
| **Change in Cash and Cash Equivalents** |  | 21,472 |  |  | - |  |  | (25) |  |  |  | - |  |  | 21,447 |  |
| **Cash and Cash Equivalents, Beginning of Year** |  | 22,824 |  |  | - |  |  | 91 |  |  |  | - |  |  | 22,915 |  |
| **Cash and Cash Equivalents, End of Year** | $ | 44,296 |  | $ | - |  | $ | 66 |  | | $ | - |  | $ | 44,362 |  |
|  |  |  |  |  |  |  |  | |  | |  | |  |  |  |  |
|  |  |  |  |  | **Year Ended December 31, 2022 - As Restated** | | | | | | | |  |  |  |  |
|  |  | **The** |  |  |  |  |  | **Reed** |  |  |  |  |  |  |  |  |
|  |  | **Lawrence** |  |  | **Lawrence** |  |  | **Medical** |  |  |  |  |  |  |  |  |
|  |  | **Memorial** |  | **Physicians,** | |  |  | **Group** |  |  |  |  |  |  |  |  |
| **Net Cash Provided by (Used in)** |  | **Hospital** |  |  | **LLC** |  |  | **MDVIP** |  |  | **Eliminations** | |  |  | **Combined** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Operating Activities** | $ | 34,358 | $ | | (38,964) | $ | | 9 | $ | | | - | $ | | (4,597) |  |
| **Net Cash Provided by (Used in) Noncapital** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Financing Activities** |  | (38,428) |  |  | 38,964 |  |  | - |  |  |  | - |  |  | 536 |  |
| **Net Cash Used in Capital and Related** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Financing Activities** |  | (18,713) |  |  | - |  |  | - |  |  |  | - |  |  | (18,713) |  |
| **Net Cash Used in Investing Activities** |  | (49,960) |  |  | - |  |  | - |  |  |  | - |  |  | (49,960) |  |
| **Change in Cash and Cash Equivalents** |  | (72,743) |  |  | - |  |  | 9 |  |  |  | - |  |  | (72,734) |  |
| **Cash and Cash Equivalents, Beginning of Year** |  | 95,567 |  |  | - |  |  | 82 |  |  |  | - |  |  | 95,649 |  |
| **Cash and Cash Equivalents, End of Year** | $ | 22,824 | $ | | - | $ | | 91 | $ | | | - | $ | | 22,915 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

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**The Lawrence Memorial Hospital**

**A Component Unit of the City of Lawrence, Kansas**

**Notes to Financial Statements**

**December 31, 2023 and 2022**

**Note 21: Change in Accounting Principle**

In 2023, the Hospital adopted Governmental Accounting Standards Board Statement No. 96, *Subscription -Based Information Technology Arrangements* (SBITAs). The objective of thisStatement is to better meet the information needs of financial statement users by improving accounting and financial reporting for SBITAs by governments. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain SBITA assets and liabilities for SBITAs that previously were classified as operating expenses and recognized as outflows of resources based on the payment provisions of the contract. It establishes a single model for SBITA accounting based on the foundational principle that SBITAs are contracts that convey control of the right to use another party’s (an SBITA vendor’s) IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this Statement, a government is required to recognize an SBITA liability and an intangible right-to-use SBITA asset thereby enhancing the relevance and consistency of information about governments’ SBITA activities.

Because of this implementation, the year ended December 31, 2022, was required to be retroactively restated as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **As** |  | **GASB 96** |  |  |  |
|  | **Previously** |  | **Adoption** | **As Restated** | |  |
| **Balance Sheet** | **Reported** |  | **Impact** |  | **2022** |  |
|  |  |  |  |  |  |
| Assets | $ 10,875,213 | $ | (977,597) | $ | 9,897,616 |  |
| Prepaid expenses and other |  |
| Total current assets | 93,999,269 |  | (977,597) |  | 93,021,672 |  |
| Subscription assets, net | - |  | 44,034,201 |  | 44,034,201 |  |
| Total assets | 420,936,424 |  | 43,056,604 |  | 463,993,028 |  |
| Liabilities |  |  |  |  |  |  |
| Current portion of subscription liabilities | - |  | 5,182,009 |  | 5,182,009 |  |
| Accrued interest payable | 1,819,707 |  | 465,961 |  | 2,285,668 |  |
| Total current liabilities | 39,600,299 |  | 5,647,970 |  | 45,248,269 |  |
| Subscription liabilities | - |  | 38,799,032 |  | 38,799,032 |  |
| Total other liabilities | 94,991,329 |  | 38,799,032 |  | 133,790,361 |  |
| Total liabilities | 134,591,628 |  | 44,447,002 |  | 179,038,630 |  |
| Net Position |  |  |  |  |  |  |
| Net investment in capital assets | 141,857,014 |  | (412,801) |  | 141,444,213 |  |
| Unrestricted | 128,540,488 |  | (977,597) |  | 127,562,891 |  |
| Total net position | 272,250,519 |  | (1,390,398) |  | 270,860,121 |  |
| Total liabilities, deferred inflows of resources and net position | 420,936,424 |  | 43,056,604 |  | 463,993,028 |  |



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**The Lawrence Memorial Hospital**

**A Component Unit of the City of Lawrence, Kansas**

**Notes to Financial Statements**

**December 31, 2023 and 2022**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **As** | **GASB 96** |  |  |
|  | **Previously** | **Adoption** | **As Restated** |  |
| **Statement of Revenues, Expenses and Changes in Net Position** | **Reported** | **Impact** | **2022** |  |
|  |  |  |  |
| Operating Expenses | $ 14,828,989 | $ 6,125,633 | $ 20,954,622 |  |
| Depreciation and amortization |  |
| Repairs and maintenance | 17,291,614 | (6,546,989) | 10,744,625 |  |
| Total operating expenses | 343,146,260 | (421,356) | 342,724,904 |  |
| Operating Loss | (4,021,560) | 421,356 | (3,600,204) |  |
| Nonoperating Revenues (Expenses) |  |  |  |  |
| Interest expense | (4,068,411) | 1,811,754 | (5,880,165) |  |
| Total nonoperating revenues (expenses), net | (3,174,887) | 1,811,754 | (4,986,641) |  |
| Revenues Under Expenses | (7,196,447) | 1,390,398 | (8,586,845) |  |
| Increase (Decrease) in Net Position | (6,536,447) | 1,390,398 | (7,926,845) |  |
| Net Position, End of Year | 272,250,519 | 1,390,398 | 270,860,121 |  |
| **Statement of Cash Flows** |  |  |  |  |
| Operating Activities |  |  |  |  |
| Payments to suppliers and contractors | (148,587,979) | (6,773,401) | (141,814,578) |  |
| Net cash provided by (used in) operating activities | (11,369,961) | (6,773,401) | (4,596,560) |  |
| Capital and Related Financing Activities |  |  |  |  |
| Principal paid on subscription liabilities | - | 5,422,608 | (5,422,608) |  |
| Interest paid on subscription liabilities | - | 1,345,793 | (1,345,793) |  |
| Purchase of subscription assets | - | 5,000 | (5,000) |  |
| Net cash used in capital and related financing activities | (11,939,304) | 6,773,401 | (18,712,705) |  |
| Reconciliation of Net Operating Revenues to |  |  |  |  |
| Net Cash Provided by (Used in) Operating Activities |  |  |  |  |
| Operating loss | (4,021,560) | (421,356) | (3,600,204) |  |
| Depreciation and amortization | 14,828,989 | (6,125,633) | 20,954,622 |  |
| Changes in operating assets and liabilities |  |  |  |  |
| Prepaid expenses | 712,285 | (226,412) | 938,697 |  |
| Net cash provided by (used in) operating activities | (11,369,961) | (6,773,401) | (4,596,560) |  |
| Noncash Investing, Capital and Financing Activities |  |  |  |  |
| Subscription obligations incurred for subscription assets | - | (1,605,959) | 1,605,959 |  |

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