

JASPER HEALTH SERVICES, INC.  
MONTICELLO, GEORGIA

---

FINANCIAL STATEMENTS

for the years ended September 30, 2021 and 2020



Let's Think Together.®

JASPER HEALTH SERVICES, INC.  
MONTICELLO, GEORGIA



FINANCIAL STATEMENTS

for the years ended September 30, 2021 and 2020

## CONTENTS

---

	<u>Pages</u>
Independent Auditor's Report	1-2
Financial Statements:	
Balance Sheets	3
Statements of Operations and Changes in Net Assets	4
Statements of Cash Flows	5
Notes to Financial Statements	6-26
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	27-28



## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Jasper Health Services, Inc.  
Monticello, Georgia

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Jasper Health Services, Inc. (Corporation), which comprise the balance sheets as of September 30, 2021 and 2020, the related statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. For the year ended September 30, 2021, we also conducted our audit in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Continued

1

Let's Think Together.®

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the financial statements 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 Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jasper Health Services, Inc. as of September 30, 2021 and 2020, and the results of its operations and changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principle***

As discussed in Note 1 to the financial statements, the Corporation adopted new accounting guidance, Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606). Our opinion is not modified with respect to that matter.

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

In accordance with Government Auditing Standards, we have also issued our report dated June 16, 2022 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Corporation's internal control over financial reporting and compliance.

*DRAFFIN + TUCKER, LLP*

Albany, Georgia  
June 16, 2022

JASPER HEALTH SERVICES, INC.

BALANCE SHEETS, September 30, 2021 and 2020

ASSETS	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and cash equivalents	\$ 3,052,519	\$ 6,835,924
Patient accounts receivable, net	1,069,697	819,588
Supplies, at lower of cost (first-in, first-out) and net realizable value	237,226	224,411
Estimated third-party payor settlements	561,052	85,101
Other current assets	<u>1,923,266</u>	<u>414,078</u>
Total current assets	6,843,760	8,379,102
Long-term investments	1,052,141	851,084
Property, plant and equipment, net	<u>4,166,494</u>	<u>1,878,283</u>
Total assets	<u>\$ 12,062,395</u>	<u>\$ 11,108,469</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of long-term debt	\$ -	\$ 441,760
Accounts payable	621,899	339,381
Accrued expenses	434,862	740,362
Refundable advance of CARES Act funding	<u>361,245</u>	<u>3,555,035</u>
Total current liabilities	1,418,006	5,076,538
Noncurrent liabilities:		
Long-term debt, net of current portion	<u>-</u>	<u>890,172</u>
Total liabilities	1,418,006	5,966,710
Net assets without donor restrictions	<u>10,644,389</u>	<u>5,141,759</u>
Total liabilities and net assets	<u>\$ 12,062,395</u>	<u>\$ 11,108,469</u>

See auditor's report and notes to financial statements.

JASPER HEALTH SERVICES, INC.

STATEMENTS OF OPERATIONS  
AND CHANGES IN NET ASSETS  
for the years ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Revenues, gains and other support:		
Net patient service revenue	\$ 12,545,631	\$ 11,479,054
Other revenue	148,348	86,480
CARES Act funding	<u>3,699,147</u>	<u>360,293</u>
Total revenues, gains and other support	<u>16,393,126</u>	<u>11,925,827</u>
Operating expenses:		
Salaries and wages	7,202,126	6,521,316
Employee health and welfare	1,301,324	1,266,417
Purchased services and professional fees	2,748,443	2,201,820
Supplies and drugs	1,168,300	884,103
Depreciation	295,329	249,302
Other expenses	<u>1,285,905</u>	<u>1,332,173</u>
Total operating expenses	<u>14,001,427</u>	<u>12,455,131</u>
Operating income (loss)	<u>2,391,699</u>	<u>(529,304)</u>
Nonoperating income (loss):		
Investment income (loss)	215,016	(147,755)
Grants and contributions	409,163	383,004
Rural Hospital Tax Credit contributions	1,154,820	611,413
PPP loan forgiveness	<u>1,331,932</u>	<u>-</u>
Total nonoperating income	<u>3,110,931</u>	<u>846,662</u>
Excess revenues	<u>5,502,630</u>	<u>317,358</u>
Increase in net assets without donor restrictions	5,502,630	317,358
Net assets without donor restrictions, beginning of year	<u>5,141,759</u>	<u>4,824,401</u>
Net assets without donor restrictions, end of year	<u>\$ 10,644,389</u>	<u>\$ 5,141,759</u>

See auditor's report and notes to financial statements.

JASPER HEALTH SERVICES, INC.

STATEMENTS OF CASH FLOWS  
for the years ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Changes in net assets	\$ 5,502,630	\$ 317,358
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	295,329	249,302
Net realized (gains) losses on securities	(21,279)	128,162
Change in net unrealized (gains) losses on securities	(161,109)	55,265
PPP loan forgiveness	(1,331,932)	-
Changes in:		
Patient accounts receivable	(250,109)	125
Supplies	(12,815)	(100,662)
Other current assets	(1,509,188)	42,050
Accounts payable and accrued expenses	(22,982)	181,354
Due to Oconee Regional Medical Center, Inc.	-	(1,500,000)
Estimated third-party payor settlements	(475,951)	(9,065)
Refundable advance of CARES Act funding	<u>(3,193,790)</u>	<u>3,555,035</u>
Net cash provided (used) by operating activities	<u>(1,181,196)</u>	<u>2,918,924</u>
Cash flows from investing activities:		
Purchase of property and equipment	(2,583,540)	(580,754)
Proceeds from sale of investments	438,070	2,198,904
Purchase of investments	<u>(456,739)</u>	<u>(725,651)</u>
Net cash provided (used) by investing activities	<u>(2,602,209)</u>	<u>892,499</u>
Cash flows from financing activities:		
Proceeds from long-term debt	<u>-</u>	<u>1,331,932</u>
Net cash provided (used) by financing activities	<u>-</u>	<u>1,331,932</u>
Net increase (decrease) in cash and cash equivalents	(3,783,405)	5,143,355
Cash and cash equivalents, beginning of year	<u>6,835,924</u>	<u>1,692,569</u>
Cash and cash equivalents, end of year	<u>\$ 3,052,519</u>	<u>\$ 6,835,924</u>

See auditor's report and notes to financial statements.



JASPER HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

---

1. Summary of Significant Accounting Policies

Organization

Jasper Health Services, Inc. (Corporation), incorporated November 8, 1999, is a not-for-profit corporation whose primary purpose is to operate Jasper Memorial Hospital (JMH) (a 17-bed critical access hospital), Retreat Intermediate Care Home (a 55-bed skilled nursing facility) and the Primary Care Center for Monticello (PCC), a provider-based physician practice, located in Monticello, Georgia.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less. Certain short-term, highly liquid investments temporarily held as part of the Corporation's long-term investment portfolio are excluded from cash and cash equivalents.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities, which are classified as available-for-sale, are measured at fair value in the balance sheets. Investment income (including interest, dividends, and gains and losses, both realized and unrealized for equity securities, and realized gains and losses for debt securities) is included in excess revenues (expenses) unless the income is restricted by donor or law. Unrealized gains and losses on available-for-sale debt securities are excluded from excess revenues (expenses).

Continued

JASPER HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2021 and 2020

---

1. Summary of Significant Accounting Policies, Continued

Supplies

Supplies are stated at the lower of cost and net realizable value, using the first-in, first-out method.

Property, Plant, and Equipment

Property, plant, and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from excess revenues (expenses), unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Impairment of Long-Lived Assets

The Corporation evaluates on an ongoing basis the recoverability of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is required to be recognized if the carrying value of the asset exceeds the undiscounted future net cash flows associated with that asset. The impairment loss to be recognized is the amount by which the carrying value of the long-lived asset exceeds the asset's fair value. In most instances, the fair value is determined by discounted estimated future cash flows using an appropriate interest rate. The Corporation has not recorded any impairment charges in the accompanying statement of operations and changes in net assets for the years ended September 30, 2021 and 2020.

Refundable Advance

A refundable advance arises when assets are recognized before revenue recognition criteria have been satisfied. CARES Act advance payments are reported as a refundable advance until donor conditions such as qualifying expenditures have been substantially met. See Note 17 for additional information.

Continued

JASPER HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2021 and 2020

---

1. Summary of Significant Accounting Policies, Continued

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net assets without donor restrictions* - net assets available for use in general operations and not subject to donor imposed restrictions. The Board of Directors has discretionary control over these resources. Designated amounts represent those net assets that the Board has set aside for a particular purpose. All revenue not restricted by donors and donor restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor restrictions.

*Net assets with donor restrictions* - net assets subject to donor imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. All revenues restricted by donors as to either timing or purpose of the related expenditures or required to be maintained in perpetuity as a source of investment income are accounted for in net assets with donor restrictions. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Net Patient Service Revenue

The Corporation has agreements with third-party payors that provide for payments to the Corporation at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the amount that reflects the consideration to which the Corporation expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors, and others and includes variable consideration for retroactive revenue adjustments under reimbursement arrangements with third-party payors. Retroactive adjustments are included in the determination of the estimated transaction price and adjusted in future periods as settlements are determined.

Charity Care

The Corporation provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Corporation does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenues.

Continued

JASPER HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2021 and 2020

---

1. Summary of Significant Accounting Policies, Continued

Excess Revenues (Expenses)

The statement of operations and changes in net assets includes excess revenues (expenses) as a performance indicator. Changes in unrestricted net assets which are excluded from the performance indicator, consistent with industry practice, include permanent transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

Donor Restricted Gifts

Unconditional promises to give cash and other assets to the Corporation are reported at fair value at the date the promise is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Conditional gifts received prior to the satisfaction of conditions are recorded as refundable advances. The gifts are reported as increases in the appropriate categories of net assets in accordance with donor restrictions.

Risk Management

The Corporation 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 and natural disasters. The Corporation has purchased insurance to mitigate the risk of loss for these types of damages. See Notes 10 and 11 for more information.

Income Taxes

The Corporation is a not-for-profit corporation that has been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code.

The Corporation applies accounting policies that prescribe when to recognize and how to measure the financial statement effects of income tax positions taken or expected to be taken on its income tax returns. These rules require management to evaluate the likelihood that, upon examination by the relevant taxing jurisdictions, those income tax positions would be sustained. Based on that evaluation, The Corporation only recognizes the maximum benefit of each income tax position that is more than 50% likely of being sustained. To the extent that all or a portion of the benefits of an income tax position are not recognized, a liability would be recognized for the unrecognized benefits, along with any interest and penalties that would result from disallowance of the position. Should any such penalties and interest be incurred, they would be recognized as operating expenses.

Continued

JASPER HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2021 and 2020

---

1. Summary of Significant Accounting Policies, Continued

Income Taxes, Continued

Based on the results of management's evaluation, no liability is recognized in the accompanying balance sheet for unrecognized income tax positions. Further, no interest or penalties have been accrued or charged to expense as of September 30, 2021 and 2020 or for the years then ended. The Corporation's tax returns are subject to possible examination by the taxing authorities. For federal income tax purposes, the tax returns essentially remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

Fair Value Measurements

FASB ASC 820, *Fair Value Measurement and Disclosures* defines fair value as the amount that would be received for an asset or paid to transfer a liability (i.e., an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820 also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. FASB ASC 820 describes the following three levels of inputs that may be used:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets and liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2: Observable prices that are based on inputs not quoted on active markets but corroborated by market data.
- Level 3: Unobservable inputs when there is little or no market data available, thereby requiring an entity to develop its own assumptions. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Continued

JASPER HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2021 and 2020

---

1. Summary of Significant Accounting Policies, Continued

Recently Adopted Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which is a new comprehensive revenue recognition standard. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Corporation adopted ASU No. 2014-09 on October 1, 2020 using the full retrospective method of transition with practical expedients in FASB ASC 606-10-65-1(f) with no significant impact. The Corporation performed an analysis of revenue streams and transactions under ASU No. 2014-09. In particular, for net patient service revenue, the Corporation performed an analysis into the application of the portfolio approach as a practical expedient to group patient contracts with similar characteristics, such that revenue for a given portfolio would not be materially different than if it were evaluated on a contract-by-contract basis. Upon adoption, the majority of what was previously classified as provision for bad debts (representing approximately \$590,000 for the year ended September 30, 2020 and presented as a reduction to net patient service revenue on the statements of operations is now treated as a price concession that reduces the transaction price, which is reported as net patient service revenue. Changes in credit issues not assessed at the date of service, are recognized as bad debt expense and included as a component of operating expenses on the statement of operations. The new standard also requires enhanced disclosures related to the disaggregation of revenue and significant judgments made in measurement and recognition. The adoption of this guidance did not materially impact total operating revenues, excess revenues (expenses), or net assets.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement*, to streamline the disclosure requirements of ASC Topic 820, Fair Value Measurement. The update removes, modifies and adds certain disclosure requirements. The Corporation adopted the new guidance for the year ending September 30, 2021, and the adoption did not have a material impact on the financial statements.

Subsequent Events

In preparing these financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through June 16, 2022, the date the financial statements were available to be issued.

Continued

JASPER HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2021 and 2020

---

2. Net Patient Service Revenue

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

Performance obligations are determined based on the nature of the services provided by the Corporation. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Corporation believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving patient care services. The Corporation measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. These services are considered to be a single performance obligation and have a duration of less than one year. Revenue for performance obligations satisfied at a point in time is recognized when services are provided and the Corporation does not believe it is required to provide additional services to the patient.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Corporation has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

The Corporation is utilizing the portfolio approach practical expedient in ASC 606 for contracts related to net patient service revenue. The Corporation accounts for the contracts within each portfolio as a collective group, rather than individual contracts, based on the payment pattern expected in each portfolio category and the similar nature and characteristics of the patients within each portfolio. As a result, the Corporation has concluded that revenue for a given portfolio would not be materially different than if accounting for revenue on a contract by contract basis.

The Corporation has arrangements with third-party payors that provide for payments to the Corporation at amounts different from its established rates. For uninsured patients that do not qualify for charity care, the Corporation recognizes revenue on the basis of its standard rates, subject to certain discounts and implicit price concessions as determined by the Corporation. The Corporation determines the transaction price based on standard charges for services

Continued

JASPER HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2021 and 2020

---

2. Net Patient Service Revenue, Continued

provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Corporation's policy, and implicit price concessions provided to uninsured patients. Implicit price concessions represent difference between amounts billed and the estimated consideration the Corporation expects to receive from patients, which are determined based on historical collection experience, current market conditions, and other factors. The Corporation determines its estimates of contractual adjustments and discounts based on contractual agreements, discount policies, and historical experience.

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

- Medicare

Jasper Memorial Hospital was granted Critical Access Hospital (CAH) designation by the Medicare program. The CAH designation places certain restrictions on daily acute care inpatient census and an annual, average length of stay of acute care inpatients. Inpatient acute care and outpatient services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology.

Nursing Home services rendered to Medicare program beneficiaries are paid based on a patient-driven payment methodology.

The Corporation is reimbursed for certain reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Corporation and audits thereof by the Medicare Administrative Contractor (MAC). The Corporation's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Corporation. The Corporation's Medicare cost reports have been audited by the MAC through 2019.

- Medicaid

Inpatient acute care services rendered to Medicaid program beneficiaries are paid at a prospectively determined rate per admission. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology.

The Corporation is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Corporation and audits thereof by the Medicaid fiscal intermediary. The Corporation's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through 2018.

Continued



JASPER HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2021 and 2020

---

2. Net Patient Service Revenue, Continued

• Medicaid, Continued

The Corporation has also entered into contracts with certain managed care organizations to receive reimbursement for providing services to selected enrolled Medicaid beneficiaries. Payment arrangements with these managed care organizations consist primarily of prospectively determined rates per discharge, discounts from established charges, or prospectively determined per diems.

Long-term care services are reimbursed by the Medicaid program based on a prospectively determined per diem. The per diem is determined by the facility's historical allowable operating costs adjusted for certain incentives and inflation factors.

The Corporation participates in the Georgia Indigent Care Trust Fund (ICTF) Program. The Corporation receives ICTF payments for treating a disproportionate number of Medicaid and other indigent patients. ICTF payments are based on the Corporation's estimated uncompensated cost of services to Medicaid and uninsured patients. The amount of ICTF payments recognized in net patient service revenue was approximately \$336,000 and \$347,000 for the years ended September 30, 2021 and 2020, respectively.

The Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA) provides for payment adjustments to certain facilities based on the Medicaid Upper Payment Limit (UPL). The UPL payment adjustments are based on a measure of the difference between Medicaid payments and the amount that could be paid based on Medicare payment principles. The net amount of UPL payment adjustments recognized in net patient service revenue was approximately \$982,000 and \$916,000 for the years ended September 30, 2021 and 2020, respectively.

• Other Arrangements

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

• Uninsured Patients

The Corporation has a Financial Assistance Policy (FAP) in accordance with Internal Revenue Code Section 501(r). Based on the FAP, following a determination of financial assistance eligibility, an individual will not be charged more than the Amounts Generally Billed (AGB) for emergency or other medical care provided to individuals with insurance covering that care. AGB is calculated by reviewing claims that have been paid in full (including deductibles and coinsurance paid by the patient) to the Corporation for medically necessary care by Medicare and private health insurers during a 12-month look-back period.

Continued

JASPER HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2021 and 2020

---

2. Net Patient Service Revenue, Continued

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

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Corporation's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in the transaction price, were not significant in 2021 or 2020.

Generally patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Corporation also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. The Corporation estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Adjustments arising from a change in the transaction price were not significant for the years ending September 30, 2021 and 2020. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense. Bad debt expense for the years ended September 30, 2021 and 2020 was not significant.

Consistent with the Corporation's mission, care is provided to patients regardless of their ability to pay. Therefore, the Corporation has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles).

Continued

JASPER HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2021 and 2020

2. Net Patient Service Revenue, Continued

Patients who meet the Corporation's criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as charity care are not reported as revenue.

Net patient service revenue by major payor source for the years ended September 30, 2021 and 2020 is as follows:

	<u>Net Patient Service Revenue</u>	
	<u>2021</u>	<u>2020</u>
Medicare	\$ 4,024,790	\$ 3,362,443
Medicaid	4,136,943	4,550,812
Third-party payors	3,584,538	2,777,224
Self-pay	<u>799,360</u>	<u>788,575</u>
Net patient service revenue	<u>\$ 12,545,631</u>	<u>\$ 11,479,054</u>

Net patient service revenue by facility, line of business, and timing of revenue recognition for the years ended September 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Service Lines:		
Hospital	\$ 8,274,846	\$ 6,366,666
Nursing Home	<u>4,270,785</u>	<u>5,112,388</u>
Total services transferred over time	<u>\$ 12,545,631</u>	<u>\$ 11,479,054</u>

Hospital net patient service revenue includes a variety of services mainly covering inpatient acute care services requiring overnight stays, outpatient procedures that require anesthesia or use of the Corporation's diagnostic and surgical equipment, and emergency care services. Performance obligations for the hospital and nursing home patient services are satisfied over time as the patient simultaneously receives and consumes the benefits the Corporation performs. Requirements to recognize revenue for inpatient services are generally satisfied over periods that average approximately three days and for outpatient services are generally satisfied over a period of less than one day. Cafeteria and other point of sale transactions, recorded in other revenue on the statements of operations, are satisfied at a point in time when the goods are provided.

Continued

JASPER HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2021 and 2020

2. Net Patient Service Revenue, Continued

The Corporation has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the Corporation's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less. However, the Corporation does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

The Corporation has applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental customer contract acquisition costs are expensed as they are incurred as the amortization period of the asset that the Corporation otherwise would have recognized is one year or less in duration.

3. Liquidity and Availability

As of September 30, 2021 and 2020, the Corporation has a working capital of approximately \$5,426,000 and \$3,303,000, respectively and average days (based on normal expenditures) cash on hand of 86 and 215 days, respectively.

Financial assets available for general expenditure within one year of the balance sheet date, consists of the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 3,052,519	\$ 6,835,924
Patient accounts receivable, net	1,069,697	819,588
Estimated third-party payor settlements	561,052	85,101
Due from ITCF and UPL	1,449,780	15,877
Long-term investments	1,052,141	851,084
Less: CARES Act refundable advance	<u>(361,245)</u>	<u>(3,555,035)</u>
Total financial assets available	<u>\$ 6,823,944</u>	<u>\$ 5,052,539</u>

CARES Act refundable advance payments that are restricted for healthcare-related expenses or lost revenue attributable to COVID-19 are excluded from the table above. No other financial assets available are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The Corporation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Continued

JASPER HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2021 and 2020

4. Uncompensated Services

The Corporation was compensated for services at amounts less than its established rates. Net patient service revenue includes amounts, representing the transaction price, based on standard charges reduced by variable considerations such as contractual adjustments, discounts, and implicit price concessions. Charges for uncompensated services for 2021 and 2020 were approximately \$4,417,000 and \$3,039,000, respectively.

Uncompensated care includes charity and indigent care services of approximately \$232,000 and \$201,000 in 2021 and 2020, respectively. The cost of charity and indigent care services provided during 2021 and 2020 were approximately \$191,000 and \$172,000, respectively computed by applying a total cost factor to the charges foregone.

The following is a summary of uncompensated services and a reconciliation of gross patient charges to net patient service revenue for 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Gross patient charges	\$ <u>16,962,519</u>	\$ <u>14,518,143</u>
Uncompensated services:		
Charity and indigent care	231,691	200,926
ICTF payments	(403,123)	(346,880)
Medicare	1,389,322	1,249,279
Medicaid	1,098,137	820,537
Medicaid UPL payments	(1,068,525)	(1,052,846)
Other allowances	2,403,141	1,576,195
Price concessions	<u>766,245</u>	<u>591,878</u>
Total uncompensated care	<u>4,416,888</u>	<u>3,039,089</u>
Net patient service revenue	<u>\$ 12,545,631</u>	<u>\$ 11,479,054</u>

Continued

JASPER HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2021 and 2020

5. Concentration of Credit Risk

The Corporation grants credit without collateral to patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at September 30, 2021 and 2020 was as follows:

	<u>2021</u>	<u>2020</u>
Medicare	38%	46%
Medicaid	22%	24%
Third-party payors	36%	28%
Self-pay	<u>4%</u>	<u>2%</u>
	<u>100%</u>	<u>100%</u>

At September 30, 2021 and 2020, the Corporation had deposits with financial institutions which exceeded the \$250,000 Federal Depository Insurance Corporation limit. Management believes the credit risks related to these deposits is minimal.

6. Long-Term Investments

The composition of long-term investments as of September 30, 2021 and 2020 is set forth in the following table. Investments are stated at fair value.

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,774	\$ 441
Equities	485,663	346,314
Mutual funds - closed-end funds	69,250	-
Exchange traded funds	<u>495,454</u>	<u>504,329</u>
Total long-term investments	<u>\$ 1,052,141</u>	<u>\$ 851,084</u>

Continued

JASPER HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2021 and 2020

6. Long-Term Investments, Continued

Investment income and gains (losses) for long-term investments are comprised of the following for the years ending September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Income:		
Interest and dividends	\$ 35,774	\$ 45,132
Realized gains (losses) on sales of securities	27,852	(128,162)
Investment expenses	(9,719)	(9,460)
Unrealized gains (losses) on equity securities	<u>161,109</u>	<u>(55,265)</u>
	<u>\$ 215,016</u>	<u>\$ (147,755)</u>
Other changes in net assets without donor restrictions:		
Unrealized gains (losses) on debt securities	<u>\$ -</u>	<u>\$ -</u>

The Corporation's investments 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 change could materially affect the amounts reported in the accompanying financial statements.

7. Property, Plant, and Equipment

A summary of property, plant and equipment at September 30, 2021 and 2020 follows:

	<u>2021</u>	<u>2020</u>
Land	\$ 3,607	\$ 3,607
Land improvements	199,903	199,903
Buildings	2,144,413	2,137,083
Equipment	<u>4,453,836</u>	<u>4,010,013</u>
	6,801,759	6,350,606
Less accumulated depreciation	<u>(4,510,042)</u>	<u>(4,501,440)</u>
	2,291,717	1,849,166
Construction in progress	<u>1,874,777</u>	<u>29,117</u>
Property, plant, and equipment, net	<u>\$ 4,166,494</u>	<u>\$ 1,878,283</u>

Continued

JASPER HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2021 and 2020

7. Property, Plant, and Equipment, Continued

Depreciation expense for the years ended September 30, 2021 and 2020 amounted to approximately \$295,000 and \$249,000, respectively. At September 30, 2021, the Corporation had outstanding construction commitments of \$2,367,665.

8. Long-Term Debt

A summary of long-term debt for the years ended September 30, 2021 **and 2020** follows:

	<u>2021</u>	<u>2020</u>
Paycheck Protection Program, with interest rate of 1.00%.	\$ -	\$ 1,331,932
Less current portion of long-term debt	<u>-</u>	<u>441,760</u>
Total	<u>\$ -</u>	<u>\$ 890,172</u>

On April 14, 2020, the Corporation received loan proceeds in the amount of \$1,331,932 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after the covered period as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1 percent, with a deferral of payments for the first ten months after the covered period. The Corporation believes its use of the proceeds is consistent with the PPP and applied for forgiveness. The Corporation will recognize any forgiveness of the loan at the time the Corporation is legally released from the debt. On November 12, 2020, the Corporation received full forgiveness from the Small Business Administration (SBA).

9. Retirement Plan

The Corporation has a defined contribution pension plan (Plan) covering substantially all eligible employees. There are no age or service requirements for employees to be eligible for salary deferrals. The Corporation provides a discretionary tiered match currently equal to 100% of the first 3% and 80% of the next 3% of base compensation that a participant elects to defer to the Plan. The Corporation also may make an incremental discretionary contribution to the Plan based on each participant's annual compensation. In order to qualify for the employer contributions, a participant must have completed 24 months of service and be 21 years of age. The total contribution expense for the Plan was approximately \$174,000 and \$168,000 in 2021 and 2020, respectively.

Continued



JASPER HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2021 and 2020

10. Employee Health Insurance

The Corporation provides health insurance coverage for employees under a self-funded employer health benefit plan administered by Allied Benefit Systems. The plan is a level funding plan in which rates do not change during the year, and there is no liability for excess claims. The total expense related to this plan was approximately \$476,000 and \$442,000 for the years ended September 30, 2021 and 2020, respectively.

11. Malpractice Insurance

The Corporation is covered by a claims-made general and professional liability insurance policy with a specified deductible of \$100,000 per incident and excess coverage on a claims-made basis. Liability limits related to this policy in 2021 and 2020 are \$1 million per occurrence and \$3 million in aggregate. In addition, the Corporation is covered by an umbrella policy of up to \$3 million per occurrence and \$3 million aggregate. The Corporation uses a third-party administrator to review and analyze incidents that may result in a claim against the Corporation. In conjunction with the third-party administrator, incidents are assigned reserve amounts for ultimate liability that may result from an asserted claim.

Various claims and assertions have been made against the Corporation in its normal course of providing services. In addition, other claims may be asserted arising from services provided to patients in the past. In the opinion of management, adequate provision has been made for losses which may occur from such asserted and unasserted claims that are not covered by liability insurance.

12. Commitments and Contingencies

Software Agreement

In April 2017, the Corporation entered into a 7-year agreement with Cerner for certain software and support services. The following is a schedule by year of the future payments under the terms of the agreement.

<u>Year Ending</u>	<u>Amount at September 30</u>
2022	\$ 390,624
2023	390,624
2024	390,624
2025	<u>195,310</u>
Total	<u>\$ 1,367,182</u>

Continued

JASPER HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2021 and 2020

---

12. Commitments and Contingencies, Continued

Litigation

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

Compliance Plan

The healthcare industry has been subjected to increased scrutiny from governmental agencies at both the federal and state level with respect to compliance with regulations. Areas of noncompliance identified at the national level include Medicare and Medicaid, Internal Revenue Service, and other regulations governing the healthcare industry. In addition, the Reform Legislation includes provisions aimed at reducing fraud, waste, and abuse in the healthcare industry. These provisions allocate significant additional resources to federal enforcement agencies and expand the use of private contractors to recover potentially inappropriate Medicare and Medicaid payments. The Corporation has implemented a compliance plan focusing on such issues. There can be no assurance that the Corporation will not be subjected to future investigations with accompanying monetary damages.

Health Care Reform

There has been increasing pressure on Congress and some state legislatures to control and reduce the cost of healthcare at the national and the state levels. Legislation has been passed that includes cost controls on healthcare providers, insurance market reforms, delivery system reforms and various individual and business mandates among other provisions. The costs of these provisions are and will be funded in part by reductions in payments by government programs, including Medicare and Medicaid. There can be no assurance that these changes will not adversely affect the Corporation.

Continued

JASPER HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2021 and 2020

13. Functional Expenses

The Corporation provides general health care services to residents within its geographic location. Expenses related to providing these services in 2021 and 2020 are as follows:

	2021		
	<u>Patient Care Services</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries and wages	\$ 5,989,261	\$ 1,212,865	\$ 7,202,126
Employee health and welfare	1,082,176	219,148	1,301,324
Purchased services and professional fees	1,753,642	994,801	2,748,443
Supplies and drugs	1,099,059	69,241	1,168,300
Depreciation	240,335	54,994	295,329
Other expenses	<u>381,303</u>	<u>904,602</u>	<u>1,285,905</u>
Total	<u>\$ 10,545,776</u>	<u>\$ 3,455,651</u>	<u>\$ 14,001,427</u>
	2020		
	<u>Patient Care Services</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries and wages	\$ 5,403,112	\$ 1,118,204	\$ 6,521,316
Employee health and welfare	1,049,266	217,151	1,266,417
Purchased services and professional fees	1,400,231	801,589	2,201,820
Supplies and drugs	850,913	33,190	884,103
Depreciation	202,879	46,423	249,302
Other expenses	<u>351,406</u>	<u>980,767</u>	<u>1,332,173</u>
Total	<u>\$ 9,257,807</u>	<u>\$ 3,197,324</u>	<u>\$ 12,455,131</u>

The financial statements report certain expense categories that are attributable to more than one health care service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including depreciation, interest expense, and other occupancy costs, are allocated to a function based on a square footage basis. Benefit expense is allocated consistent with salaries.

Continued

JASPER HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2021 and 2020

14. Fair Value Measurement

Fair value of assets measured on a recurring basis at September 30, 2021 and 2020 are as follows:

	<u>Fair Value</u>	<u>Fair Vale Measurements at Reporting Date Using</u>		
		<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>September 30, 2021</u>				
Assets:				
Cash and cash equivalents	\$ 1,774	\$ 1,774	\$ -	\$ -
Equities	485,663	485,663	-	-
Mutual funds - closed-end funds	69,250	69,250	-	-
Exchange traded funds	495,454	495,454	-	-
Total assets	<u>\$ 1,052,141</u>	<u>\$ 1,052,141</u>	<u>\$ -</u>	<u>\$ -</u>

	<u>Fair Value</u>	<u>Fair Vale Measurements at Reporting Date Using</u>		
		<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>September 30, 2020</u>				
Assets:				
Cash and cash equivalents	\$ 441	\$ 441	\$ -	\$ -
Equities	346,314	346,314	-	-
Exchange traded funds	504,329	504,329	-	-
Total assets	<u>\$ 851,084</u>	<u>\$ 851,084</u>	<u>\$ -</u>	<u>\$ -</u>

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Valuation techniques utilized to determine fair value are consistently applied. All assets have been valued using a market approach.

Continued

JASPER HEALTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS, Continued  
September 30, 2021 and 2020

---

16. Rural Hospital Tax Credit Contributions

The State of Georgia (State) passed legislation which will allow individuals or corporations to receive a State tax credit for making a contribution to certain qualified rural hospital organization during calendar years 2017 through 2024. The Corporation submitted the necessary documentation and was approved by the State to participate in the rural hospital tax credit program for calendar years 2021 and 2020. Contributions received under the program approximated \$1,155,000 during fiscal year 2021 and \$611,000 during fiscal year 2020. The Corporation will have to be approved by the State to participate in the program in each subsequent year.

17. CARES Act

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen. The outbreak has put an unprecedented strain on the U.S. healthcare system, disrupted or delayed production and delivery of materials and products in the supply chain, and caused staffing shortages. The extent of the impact of COVID-19 on the Corporation's operational and financial performance depends on certain developments, including the duration and spread of the outbreak, remedial actions and stimulus measures adopted by local and federal governments, and impact on the Corporation's customers, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Corporation's financial position or results of operations is uncertain.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief and Economic Security Act* (CARES Act). Certain provisions of the CARES Act provide relief funds to hospitals and other healthcare providers. The funding will be used to support healthcare-related expenses or lost revenue attributable to COVID-19. The U.S. Department of Health and Human Services began distributing funds on April 10, 2020 to eligible providers in an effort to provide relief to both providers in areas heavily impacted by COVID-19 and those providers who are struggling to keep their doors open due to healthy patients delaying care and canceling elective services. On April 24, 2020, the *Paycheck Protection Program and Health Care Enhancement Act* was passed. This Act provides additional funding to replenish and supplement key programs under the CARES Act, including funds to health care providers for COVID-19 testing. CARES Act funding is a conditional contribution and accounted for as a refundable advance until conditions have been substantially met or explicitly waived by the grantor. Because the use of the funds is limited to the purposes stated in the terms and conditions, the contributions are grantor restricted. The Corporation reports restricted contributions, whose restrictions are met in the same period in which they are received (simultaneous release), as net assets without donor restrictions. Recognized revenue is reported as operating revenues in the statements of operations and changes in net assets. The Corporation received \$274,300 and \$3,915,328 in grant stimulus funding in fiscal year 2021 and 2020, respectively, of which \$3,699,147 and \$360,293 was recognized as operating revenues in the statements of operations and changes in net assets in the respective years.

The CARES Act funding may be subject to audits. While the Corporation currently believes its use of the funds is in compliance with applicable terms and conditions, there is a possibility the payments could be recouped based on changes in reporting requirements or audit results.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS*

---



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

Board of Directors  
Jasper Health Services, Inc.  
Monticello, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Jasper Health Services, Inc (Corporation) as of and for the year ended September 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated June 16, 2022.

### Internal Control Over Financial Reporting

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

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

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

Continued

27

Let's Think Together.®

## Compliance and Other Matters

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

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DRAFFIN + TUCKER, LLP

Albany, Georgia  
June 16, 2022