Boundary Community Hospital
A Component Unit of
Boundary County, Idaho

Basic Financial Statements and Independent Auditors' Reports

December 31, 2024 and 2023

ACCOUNTANTS | ADVISORS

Boundary Community Hospital
a Component Unit of Boundary County, Idaho
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ACCOUNTANTS | ADVISORS

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Boundary Community Hospital
a Component Unit of Boundary County, Idaho
Bonners Ferry, Idaho

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Boundary Community Hospital (the Hospital), a component unit of Boundary County, Idaho, as of and for the years ended December 31, 2024 and 2023, and the related notes to the basic financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital as of December 31, 2024 and 2023, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hospital, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matters

As discussed in Note 1 to the financial statements, in 2024, the Hospital adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter**.**

As discussed in Note 1, the financial statements present only the financial information of the Hospital and do not purport to, and do not, present fairly the financial position of Boundary County (the County) as of December 31, 2024, the changes in its financial position, or its cash flows for the years then ended in accordance with GAAP. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for a reasonable period of time.

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

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Required Supplementary Information

Management has not presented the management's discussion and analysis that GAAP requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2025, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. 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 Hospital'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 Hospital's internal control over financial reporting and compliance.

DZA PLLC

Spokane Valley, Washington
May 23, 2025

Boundary Community Hospital
a Component Unit of Boundary County, Idaho
Statements of Net Position
December 31, 2024 and 2023

ASSETS	2024	2023
Current assets		
Cash and cash equivalents	**$ 1,022,965**	$ 2,611,812
Certificates of deposit	**1,328,156**	515,000
Receivables:		
Patient and resident accounts net	**3,114,164**	2,451,513
Estimated third-party payor settlements	**406,307**	1,357,700
Other	**147,357**	140,928
Inventories	**240,436**	218,268
Prepaid expenses	**207,328**	110,331
Total current assets	**6,466,713**	7,405,552
Noncurrent assets		
Investment in Yellowstone Insurance Exchange	**341,211**	272,700
Nondepreciable capital assets	**493,292**	525,427
Depreciable capital assets, net	**3,420,449**	3,211,396
Total noncurrent assets	**4,254,952**	4,009,523
Total assets	**$ 10,721,665**	$ 11,415,075

See accompanying notes to basic financial statements.

Boundary Community Hospital
a Component Unit of Boundary County, Idaho
Statements of Net Position (Continued)
December 31, 2024 and 2023

LIABILITIES AND NET POSITION	2024	2023
Current liabilities		
Accounts payable	**$ 490,825**	$ 530,118
Accrued compensation and related liabilities	**1,194,946**	1,048,651
Estimated third-party payor settlements	**44,712**	877
Current maturities of long-term debt	**51,845**	60,081
Current maturities of lease liabilities and subscription liabilities	**226,190**	204,953
Unearned revenues	**9,000**	-
Total current liabilities	**2,017,518**	1,844,680
Noncurrent liabilities		
Long-term debt, net of current maturities	**150,812**	202,657
Lease and subscription liabilities, net of current maturities	**570,557**	618,063
Total noncurrent liabilities	**721,369**	820,720
Total liabilities	**2,738,887**	2,665,400
Net position		
Net investment in capital assets	**3,116,994**	2,904,041
Unrestricted	**4,865,784**	5,845,634
Total net position (as restated)	**7,982,778**	8,749,675
Total liabilities and net position	**$ 10,721,665**	$ 11,415,075

See accompanying notes to basic financial statements.

Boundary Community Hospital
a Component Unit of Boundary County, Idaho
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2024 and 2023

	2024	2023
Operating revenues		
Net patient and resident service revenue	**$ 21,977,061**	$ 20,438,419
Grants	**13,013**	209,190
Other	**63,892**	52,056
Total operating revenues	**22,053,966**	20,699,665
Operating expenses		
Salaries and wages	**12,169,909**	10,825,712
Employee benefits	**2,488,977**	2,147,243
Professional fees and other purchased services	**4,214,003**	3,097,200
Supplies	**2,556,053**	2,145,077
Utilities	**232,070**	231,510
Repairs and maintenance	**134,861**	121,854
Depreciation and amortization	**713,600**	660,064
Rental and leases	**467,914**	415,219
Insurance	**286,488**	282,898
Travel and education	**73,057**	63,671
Other	**283,993**	267,706
Total operating expenses	**23,620,925**	20,258,154
Operating income (loss)	**(1,566,959)**	441,511
Nonoperating revenues (expenses)		
Property tax for operations	**370,000**	360,000
Interest income	**55,455**	59,154
Contributions	**6,847**	2,996
Interest expense	**(72,081)**	(52,106)
Return on investment in Yellowstone Insurance Exchange	**68,511**	-
Insurance income	**272,397**	-
Total nonoperating revenues (expenses), net	**701,129**	370,044
Excess of revenues over expenses (excess of expenses over revenues) before capital grants and contributions	**(865,830)**	811,555
Capital grants and contributions	**98,933**	113,600
Change in net position	**(766,897)**	925,155
Net position, beginning of year (as restated)	**8,749,675**	7,824,520
Net position, end of year	**$ 7,982,778**	$ 8,749,675

See accompanying notes to basic financial statements.

Boundary Community Hospital
a Component Unit of Boundary County, Idaho
Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	2024	2023
Change in Cash and Cash Equivalents		
Cash flows from operating activities		
Receipts from and on behalf of patients and residents	**$ 22,367,101**	$ 19,361,005
Grant receipts	**22,013**	510,764
Payments to and on behalf of employees	**(14,512,591)**	(12,788,040)
Payments to suppliers and contractors	**(8,431,034)**	(6,768,251)
Net cash from operating activities	**(554,511)**	315,478
Cash flows from noncapital financing activities		
Principal payments on long-term debt	**(50,315)**	(48,830)
Property taxes	**370,000**	360,000
Contributions	**6,847**	2,996
Net cash from noncapital financing activities	**326,532**	314,166
Cash flows from capital and related financing activities		
Principal paid on long-term debt	**(9,766)**	(14,230)
Principal paid on lease liabilities and subscription liabilities	**(235,975)**	(237,292)
Interest paid	**(72,081)**	(52,106)
Purchase of capital assets	**(680,812)**	(407,594)
Capital contributions	**98,933**	113,600
Proceeds from insurance claim	**272,397**	-
Net cash from capital and related financing activities	**(627,304)**	(597,622)
Cash flows from investing activities		
Receipts from certificates of deposit	-	(15,000)
Purchase of certificates of deposit	**(813,156)**	**-**
Receipts from investment in Yellowstone Insurance Exchange	**24,137**	19,379
Interest received	**55,455**	59,154
Net cash from investing activities	**(733,564)**	63,533
Net change in cash and cash equivalents	**(1,588,847)**	95,555
Cash and cash equivalents, beginning of year	**2,611,812**	2,516,257
Cash and cash equivalents, end of year	**$ 1,022,965**	$ 2,611,812

See accompanying notes to basic financial statements.

Boundary Community Hospital
a Component Unit of Boundary County, Idaho
Statements of Cash Flows (Continued)
Years Ended December 31, 2024 and 2023

	2024	2023
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities		
Operating income (loss)	**$ (1,566,959)**	$ 441,511
Adjustments to reconcile operating income (loss) to net cash from operating activities		
Depreciation and amortization	**713,600**	660,064
Provision for bad debts	**718,093**	658,905
Change in assets:		
Receivables:		
Patient and resident accounts, net	**(1,380,744)**	(1,096,499)
Estimated third-party payor settlements	**951,393**	(575,957)
Grants	**-**	301,574
Other	**(6,429)**	(116,796)
Inventories	**(22,168)**	(63,720)
Prepaid expenses	**(121,134)**	(46,374)
Change in liabilities:		
Accounts payable	**(39,293)**	(33,022)
Unearned revenue	**9,000**	**-**
Accrued compensation and related liabilities	**146,295**	184,915
Estimated third-party payor settlements	**43,835**	877
Net cash from operating activities	**$ (554,511)**	$ 315,478

Noncash Investing, Capital, and Financing Activities

During the year ended December 31, 2024 and 2023, the Hospital recognized several subscription assets and liabilities totaling $27,000 and $119,459, respectively.

During the years ended December 31, 2024 and 2023, the Hospital recorded right-of-use assets and lease liabilities of $182,706 and $688,287, respectively.

See accompanying notes to basic financial statements.

1. Reporting Entity and Summary of Significant Accounting Policies:

a. Reporting Entity

Boundary Community Hospital (the Hospital), a component unit of Boundary County, Idaho, operates a 20-bed acute care hospital, rural health clinic, and a 20-bed nursing home located in Bonners Ferry, Idaho. The Board of Boundary County, Idaho (the County), appoints the Hospital Board of Trustees. For this reason, the Hospital is organized as a component unit of Boundary County and has been recognized by the Internal Revenue Service as exempt from federal income taxes under Internal Revenue Code Section 501(a). The Hospital is governed by a Board of Trustees who volunteer their time and service to the community to ensure the highest quality health services possible. The Board of Trustees exercises governing oversight responsibility for the Hospital, which includes such duties as budget review, care of patients, and management of the facilities.

The Fry Healthcare Foundation (the Foundation) is a separate nonprofit corporation. The Foundation was organized to solicit and accept charitable contributions in order to provide support to the Hospital. The Foundation is not considered a component unit of the Hospital. The Foundation provided approximately $99,000 and $49,000 in contributions to the Hospital during the years ended December 31, 2024 and 2023, respectively.

b. Summary of Significant Accounting Policies

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

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

Cash and cash equivalents – Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less.

Inventories – Inventories of medical and other supplies are stated at cost (on the first-in, first-out method).

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

Compensated absences – The Hospital's policy is to permit employees to accumulate paid vacation benefits based on the average number of hours worked per week and the number of years of service. The maximum amount an employee may accrue during a one-year period is 288 hours. Employees may accumulate paid time off up to a maximum of 360 hours. Upon termination of employment, the employee shall be paid not more than 360 hours.

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

   b. **Summary of Significant Accounting Policies (continued)**

   Compensated absences (continued) – The Hospital also permits employees to accumulate paid leave in an extended illness bank based on hours worked. The maximum amount an employee may accrue during a one-year period is 40 hours. Employees may accumulate a maximum of 480 hours in their extended illness bank. The extended illness bank is leave employees can use for serious illness or injury after using 24 hours of paid time off. Upon termination of employment, the remaining hours accrued in the extended illness bank is forfeited.

   Accruals for paid time off are fully vested and are calculated by multiplying the vacation hours earned by the employee wage rates for each employee. Accruals for extended illness bank are not vested and are estimated based on the amount of the accrued hours expected to be used by the employees. For all accruals for compensated absences, payroll-related expenses, such as employer payroll taxes and retirement contributions, that relate to the compensated absences are also estimated and accrued.

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

   Operating revenues and expenses – The Hospital's statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions, including grants for specific operating activities associated with providing healthcare services — the Hospital's principal activity. Nonexchange revenues, including taxes and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs. All other revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses, such as interest.

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

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

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

   b. Summary of Significant Accounting Policies (continued)

   Change in accounting principles – In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*. The objective of this statement is to update the recognition and measurement guidance for compensated absences. The Hospital adopted Statement No. 101 during the year ended December 31, 2024. See Note 1 for additional information on the compensated absences recorded by the Hospital. This change in accounting principle resulted in additional accrued compensated absences of $150,000 being recognized at December 31, 2024, 2023, and 2022.

   Net position as of December 31, 2022, decreased by $150,000. The change in accounting principle had no impact on change in net position in 2024 and 2023.

   Subsequent events – Subsequent events have been reviewed through May 23, 2025, the date on which the financial statements were available to be issued.

2. **Bank Deposits and Investments:**

   Custodial credit risk – Custodial credit risk is the risk that in the event of a depository institution's failure, the Hospital's deposits may not be returned to it. The Hospital does not have a deposit policy for custodial credit risk.

   As of December 31, 2024 and 2023, the Hospital had uninsured and uncollateralized deposit balances of approximately $1,650,000 and $2,749,000, respectively.

   Fair value – The Hospital categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

   Certificates of deposit – The Hospital's certificates of deposit are valued using quoted market prices (Level 2 inputs) as $1,328,156 and $515,000 for the years ended December 31, 2024 and 2023, respectively.

   Investments – The investment in Yellowstone Insurance Exchange (the Exchange) represents the Hospital's allocation of the Exchange's undistributed net income. The investment is the Hospital's balance in its Subscriber's Savings Account (SSA). Upon withdrawal from the Exchange, the Hospital would be entitled to the balance of the SSA payable over several years at amounts based on actuarial estimates. The balance is subject to changes based on the financial performance of the Exchange and the actuarial estimates.

3. Patient and Resident Accounts Receivable:

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

The Hospital's allowance for uncollectible accounts for self-pay patients has not changed significantly from the prior year. The Hospital does not maintain a material allowance for uncollectible accounts from third-party payors, nor did it have significant writeoffs from third-party payors.

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

	2024	2023
Receivables from patients, residents, and their insurance carriers	**$ 1,753,868**	$ 1,187,991
Receivables from Medicare	**1,632,860**	1,343,668
Receivables from Medicaid	**324,549**	254,097
Total patient and resident accounts receivable	**3,711,277**	2,785,756
Less allowance for uncollectible accounts	**597,113**	334,243
Patient and resident accounts receivable, net	**$ 3,114,164**	$ 2,451,513

4. Capital Assets:

The Hospital capitalizes assets whose costs exceed $5,000 and have an estimated useful life of at least two years. Major expenses for capital assets, including repairs that increase the useful life, are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred. Capital assets, other than lease and subscription assets, are reported at historical cost or their estimated fair value at the date of donation. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Lease and subscription assets are stated at the present value of the future lease or subscription payments plus any payments made at or before the start of the lease or subscription and costs to place the asset in service. Lease and subscription assets are amortized on the straight-line method over the shorter period of the lease or subscription term or the estimated useful life of the assets. Gains or losses on sales and retirements are included in nonoperating revenues and expenses. Depreciation and amortization are provided over the estimated useful lives of assets as determined from the American Hospital Association's published tables and management's estimate by the straight-line method using these asset lives:

Land improvements	4 to 25 years
Buildings and improvements	2 to 45 years
Fixed equipment	2 to 25 years
Movable equipment	3 to 30 years
Leased right-of-use equipment	4 to 7 years
Subscription-based information technology agreements	2 to 4 years

Capital asset additions, retirements, transfers, and balances were as follows:

	Balance December 31, 2023	Additions	Retirements	Transfers	Balance December 31, 2024
Capital assets not being depreciated or amortized					
Land	$ 395,541	$ -	$ -	$ -	**$ 395,541**
Construction in progress	129,886	50,768	-	(82,903)	**97,751**
Total capital assets not being depreciated or amortized	525,427	50,768	-	(82,903)	**493,292**
Capital assets being depreciated or amortized					
Land improvements	181,628	19,978	-	-	**201,606**
Buildings and improvements	5,234,346	276,693	-	28,294	**5,539,333**
Fixed equipment	3,378,058	142,002	-	-	**3,520,060**
Movable equipment	5,217,859	191,371	(7,098)	-	**5,402,132**
Leased right-of-use equipment	1,295,398	182,706	-	54,609	**1,532,713**
Subscription-based information technology agreements	119,459	27,000	-	-	**146,459**
Total capital assets being depreciated or amortized	15,426,748	839,750	(7,098)	82,903	**16,342,303**
Less accumulated depreciation and amortization for					
Land improvements	(131,108)	(5,655)	-	-	**(136,763)**
Buildings and improvements	(4,462,425)	(108,566)	-	-	**(4,570,991)**
Fixed equipment	(2,927,937)	(75,386)	-	-	**(3,003,323)**
Movable equipment	(4,050,363)	(307,891)	7,098	-	**(4,351,156)**
Leased right-of-use equipment	(626,240)	(177,043)	-	-	**(803,283)**
Subscription-based information technology agreements	(17,279)	(39,059)	-	-	**(56,338)**
Total accumulated depreciation and amortization	(12,215,352)	(713,600)	7,098	-	**(12,921,854)**
Total capital assets being depreciated and amortized, net	3,211,396	126,150	-	82,903	**3,420,449**
Capital assets, net	**$ 3,736,823**	**$ 176,918**	**$ -**	**$ -**	**$ 3,913,741**

4. Capital Assets (continued):

Construction in progress on December 31, 2024, consists of costs for a new hospital sign and for laboratory equipment. The estimated cost to complete the new hospital sign project is approximately $15,000 and the estimated completion date is unknown at this time. The laboratory equipment has an estimated installation date of July 2025 at no additional costs.

Capital asset additions, retirements, transfers, and balances, were as follows:

	Balance December 31, 2022	Additions	Retirements	Transfers	Balance December 31, 2023
Capital assets not being depreciated or amortized					
Land	$ 345,541	$ 50,000	$ -	$ -	**$ 395,541**
Construction in progress	102,146	126,386	-	(98,646)	**129,886**
Total capital assets not being depreciated or amortized	447,687	176,386	-	(98,646)	**525,427**
Capital assets being depreciated or amortized					
Land improvements	147,734	33,894	-	-	**181,628**
Buildings and improvements	5,045,608	90,092	-	98,646	**5,234,346**
Fixed equipment	3,359,718	18,340	-	-	**3,378,058**
Movable equipment	5,104,309	140,179	(26,629)	-	**5,217,859**
Leased right-of-use equipment	1,093,707	636,990	(435,299)	-	**1,295,398**
Subscription-based information technology agreements	-	119,459	-	-	**119,459**
Total capital assets being depreciated or amortized	14,751,076	1,038,954	(461,928)	98,646	**15,426,748**
Less accumulated depreciation and amortization					
Land improvements	(126,916)	(4,192)	-	-	**(131,108)**
Buildings and improvements	(4,366,431)	(95,994)	-	-	**(4,462,425)**
Fixed equipment	(2,859,785)	(68,152)	-	-	**(2,927,937)**
Movable equipment	(3,776,416)	(300,576)	26,629	-	**(4,050,363)**
Leased right-of-use equipment	(887,668)	(173,871)	435,299	-	**(626,240)**
Subscription-based information technology agreements	-	(17,279)	-	-	**(17,279)**
Total accumulated depreciation and amortization	(12,017,216)	(660,064)	461,928	-	**(12,215,352)**
Total capital assets being depreciated and amortized, net	2,733,860	378,890	-	98,646	**3,211,396**
Capital assets, net	**$ 3,181,547**	**$ 555,276**	**$ -**	**$ -**	**$ 3,736,823**

5. Noncurrent Liabilities:

A schedule of changes in the Hospital's noncurrent liabilities were as follows:

	Balance December 31, 2023	Additions	Reductions	Balance December 31, 2024	Amounts Due Within One Year
Long-term debt					
USDA	$ 9,766	$ -	$ (9,766)	$ -	$ -
Kootenai Health	252,972	-	(50,315)	202,657	51,845
Total long-term debt	262,738	-	(60,081)	202,657	51,845
Lease and subscription liabilities	823,016	209,706	(235,975)	796,747	226,190
Total noncurrent liabilities	**$ 1,085,754**	**$ 209,706**	**$ (296,056)**	**$ 999,404**	**$ 278,035**

	Balance December 31, 2022	Additions	Reductions	Balance December 31, 2023	Amounts Due Within One Year
Long-term debt					
USDA	$ 23,996	$ -	$ (14,230)	$ 9,766	$ 9,766
Kootenai Health	301,802	-	(48,830)	252,972	50,315
Total long-term debt	325,798	-	(63,060)	262,738	60,081
Lease and subscription liabilities	252,562	807,746	(237,292)	823,016	204,953
Total noncurrent liabilities	**$ 578,360**	**$ 807,746**	**$ (300,352)**	**$ 1,085,754**	**$ 265,034**

Long-term debt – The terms of the Hospital's long-term debt follow:

USDA – Note payable to the United States Department of Agriculture, in the original amount of $125,000, was paid in full in 2024.

Kootenai Health – Note payable to Kootenai Health dated 2018 in the original amount of $493,754, for provider services, due in monthly installments of $4,768, including interest at 3 percent through October 1, 2026, with a balloon payment of $110,896 due in November 2026.

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

Years Ending December 31,	Long-term Debt		
	Principal	Interest	Total
2025	$ 51,845	$ 5,371	$ 57,216
2026	150,812	3,273	154,085
	$ 202,657	**$ 8,644**	**$ 211,301**

Lease liabilities – Lease liabilities are payable to various vendors in the aggregate original amount of $1,264,353, due in monthly payments between $324 and $7,671, including interest from 1.50 percent to 8.53 percent through March 1, 2031.

5. Noncurrent Liabilities (continued):

Subscription liabilities – Subscription liabilities are payable to various vendors in the aggregate original amount of $146,459, due in monthly payments between $640 and $2,550, including interest from 5.50 percent to 5.99 percent through May 2027.

The Hospital's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Lease and subscription liabilities are reflected in the Hospital's assets and liabilities.

Scheduled principal and interest payments on lease and subscription liabilities are as follows:

Years Ending December 31,	Lease and Subscription Liabilities		
	Principal	Interest	Total
2025	$ 226,190	$ 43,850	$ 270,040
2026	163,283	31,837	195,120
2027	132,607	22,961	155,568
2028	120,638	14,963	135,601
2029	98,205	7,572	105,777
2030-2031	55,824	1,424	57,248
	$ 796,747	**$ 122,607**	**$ 919,354**

Line of credit – The Hospital has an open line of credit with First Interstate Bank. The amount available to the Hospital was $750,000 expiring on June 5, 2025. As of December 31, 2024, there were no draws on this line of credit.

6. Net Patient and Resident Service Revenue:

The Hospital has agreements with third-party payors that provide payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates, reimbursed costs, discounted charges, and per diem payments. Net patient and resident service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

6. Net Patient and Resident Service Revenue (continued):

The Hospital recognizes patient and resident service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients who do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Hospital records a significant provision for bad debts related to uninsured patients in the period the services are provided. The Hospital's provisions for bad debts and writeoffs have not changed significantly from the prior year. The Hospital has not changed its charity care or uninsured discount policies during 2024 or 2023. The Hospital's charity care increased during 2024 due to increased communication to the community and patients about the charity care program. Patient and resident service revenue, net of contractual adjustments and discounts (but before the provision for bad debts), recognized in the period from these major payor sources is as follows:

	2024	2023
Patient and resident service revenue (net of contractual adjustments and discounts):		
Medicare	**$ 11,012,256**	$ 10,382,553
Medicaid	**2,930,106**	2,645,911
Other third-party payors	**6,438,990**	5,552,048
Patients and residents	**1,458,215**	1,171,403
Upper payment limit	**928,256**	1,381,290
340B contract pharmacy	**191,067**	7,107
	22,958,890	21,140,312
Less:		
Charity care	**263,736**	42,988
Provision for bad debts	**718,093**	658,905
Net patient and resident service revenue	**$ 21,977,061**	$ 20,438,419

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

- ***Medicare*** – The Hospital has been designated a critical access hospital and the clinic has been designated a rural health clinic by Medicare. The Hospital and clinic are paid on a cost reimbursement method for substantially all services provided to Medicare beneficiaries. The Hospital and clinic are reimbursed for cost reimbursable items at a tentative rate with final settlement determined after the submission of annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor. The Hospital is reimbursed for skilled nursing facility services under prospective payment systems. Nonrural health clinic physician services are reimbursed on a fee schedule.

- ***Medicaid*** – Inpatient and outpatient services provided to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. Medicaid swing-bed and skilled nursing services are reimbursed on a prospectively set rate per day. Medicaid rural health clinic services are paid on a prospectively set rate per visit. Nonrural health clinic physician services are reimbursed on a fee schedule.

6. Net Patient and Resident Service Revenue (continued):

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

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Net patient service revenue increased by approximately $196,000 and decreased by approximately $16,000 in 2024 and 2023, respectively, due to differences between original estimates and final settlements or revised estimates.

The Hospital provides charity care to patients who are financially unable to pay for the healthcare services they receive. The Hospital's policy is not to pursue collection of amounts determined to qualify as charity care. Accordingly, the Hospital does not report these amounts in net operating revenues or in the allowance for uncollectible accounts. The Hospital determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including salaries and wages, benefits, supplies, and other operating expenses, based on data from its costing system. The costs of caring for charity care patients for the years ended December 31, 2024 and 2023, were approximately $186,000 and $30,000, respectively. The Hospital did not receive any gifts or grants to subsidize charity services during 2024 or 2023.

7. Property Taxes:

The Hospital, through the County, receives funds from property taxes levied by the County annually on January 1 on property values assessed as of the same date. Assessed values are established by the County Assessor at 100 percent of fair market values. Property taxes are collected in two equal installments on December 20 and June 20 of the following year. Based on its current year budget and tax collections, a share of the amount collected is allocated for building operations, repairs, and maintenance.

8. Defined Contribution Plan:

The Boundary Community Hospital 457 Plan (the 457 Plan) is a defined contribution pension plan for its employees over age 21. The 457 Plan is administered by the Hospital. Benefit terms, including contribution requirements, for the 457 Plan are established and may be amended by the Hospital. The Hospital is not required to contribute to the 457 Plan. Employees are permitted to make contributions up to applicable Internal Revenue Code limits. Employee contributions to the 457 Plan were approximately $620,000 and $471,000 for the years ended December 31, 2024 and 2023, respectively. OneAmerica Financial Partners, Inc., is the third-party administrator of the 457 Plan.

8. Defined Contribution Plan (continued):

The Hospital provides retirement benefits through the Boundary Community Hospital Match Plan (the 401(a) Plan), a defined contribution plan. The 401(a) Plan is administered by the Hospital. Benefit terms, including contribution requirements, for the 401(a) Plan are established and may be amended by the Hospital. This 401(a) Plan covers any employee who has attained age 21 and completed 12 months of service. Employees do not contribute to this plan. The Hospital contributes to the 401(a) Plan, making a matching contribution equal to 50 percent of employee salary deferrals to their 457 Plan that do not exceed 4 percent of employee compensation. The Hospital contributions to the 401(a) Plan during the years ended December 31, 2024 and 2023, were approximately $241,000 and $104,000 respectively. OneAmerica Financial Partners, Inc., is the third-party administrator of the 401(a) Plan.

Employees' voluntary contributions and employer contributions are 100 percent vested.

9. Risk Management and Contingencies:

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

Medical malpractice claims – The Hospital obtains medical malpractice insurance through the Exchange. The Exchange offers the Hospital a professional and general liability policy on a "claims made" basis with primary limits of $1,000,000 per claim and an annual aggregate limit of $3,000,000. The policy has a $10,000 deductible per claim. The renewal date of the policy is January 1, 2025. The policy was renewed through January 1, 2026.

No liability has been accrued for future coverage of acts, if any, occurring in this or prior years. Also, it is possible that claims may exceed coverage available in any given year.

The Exchange is a captive insurance company owned by the Hospital and several unrelated hospitals. All profits and losses from the operation of the Exchange are allocated by the Exchange's Subscriber Advisory Committee, based on premiums paid, exposure rates, and ownership levels. For financial reporting purposes, the Hospital accounts for its investment in the Exchange under the equity method of accounting for investments in common stock. During the years ended December 31, 2024 and 2023, the Hospital received distributions of approximately $24,000 and $19,000, respectively. During the year ended December 31, 2024, the Hospital recorded a gain on investment of approximately $70,000.

Industry regulations – The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditations, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity continues with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Hospital is in compliance with fraud and abuse statutes, as well as other applicable government laws and regulations.

9. Risk Management and Contingencies (continued):

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

10. Concentrations of Risk:

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

The mix of receivables from patients was as follows:

	2024	2023
Medicare	**53 %**	**52** %
Medicaid	**11**	**13**
Other third-party payors	**18**	**19**
Patients	**18**	**16**
	100 %	100 %

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

ACCOUNTANTS | ADVISORS

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

Board of Trustees
Boundary Community Hospital
a Component Unit of Boundary County, Idaho
Bonners Ferry, Idaho

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 Boundary Community Hospital (the Hospital), a component unit of Boundary County, Idaho, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents, and have issued our report thereon dated May 23, 2025.

Report on Internal Control over Financial Reporting

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

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

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

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Report on Compliance and Other Matters

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

Purpose of This Report

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

DZA PLLC

Spokane Valley, Washington
May 23, 2025

Boundary Community Hospital
a Component Unit of Boundary County, Idaho
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2024

The audit for the year ended December 31, 2023, reported no audit findings, nor were there any unresolved findings from periods prior to 2022. Therefore, there are no matters to report in this schedule for the year ended December 31, 2024.