

Yukon-Kuskokwim Health Corporation

Financial Statements and Supplementary
Information

Years Ended September 30, 2021 and 2020



Yukon-Kuskokwim
HEALTH CORPORATION

WIPFLI

Yukon-Kuskokwim Health Corporation

Years Ended September 30, 2021 and 2020

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Independent Auditor's Report

Board of Directors
Yukon-Kuskokwim Health Corporation
Bethel, Alaska

Report on the Financial Statements

We have audited the accompanying financial statements of Yukon-Kuskokwim Health Corporation (the "Corporation") as of and for the years ended September 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

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; 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 and 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.

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 entity'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 entity'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 Yukon-Kuskokwim Health Corporation, as of September 30, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis information on pages 4 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corporation's financial statements as a whole. The accompanying schedules on pages 50 through 55 are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 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.

Wipfli LLP

Wipfli LLP

February 24, 2022
Spokane, Washington

Yukon-Kuskokwim Health Corporation

Management's Discussion and Analysis

Introduction

The following discussion and analysis provides an overview of the financial position and activities of the Yukon-Kuskokwim Health Corporation (the "Corporation") as of and for the years ended September 30, 2021 and 2020. This discussion has been prepared by management and should be read in conjunction with the financial statements, including the footnotes, which follow this section.

Using the Financial Statements

The Corporation's September 30, 2021 and 2020, financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34. The September 30, 2019, financial statements are not presented in the accompanying financial statements. The condensed September 30, 2019, financial information is presented consistent with 2021 and 2020.

The Corporation's financial report includes three basic financial statements: the statements of net position; the statements of revenues, expenses, and changes in net position; and the statements of cash flows. These statements, along with the notes to the financial statements, comprise the basic financial statements.

The statements of net position display the assets, liabilities, and net position at the end of the fiscal years 2021 and 2020. The statements of revenues, expenses, and changes in net position portray the revenues earned, the operating and nonoperating expenses incurred, and the resultant income. The lower portion describes the net effect on net position from the beginning of the year to the end of the year. The statements of cash flows illustrate the effect on cash from operating, investing, and financing activities as well as the net increase in cash and cash equivalents.

Supplementary Information

A governmental entity, such as the Corporation is comprised of many programs, which can be grouped into major categories. In the combining statements of revenues, expenses, and changes in net position, the various columns represent the corporate general account, the Indian Health Service (IHS) program, State of Alaska programs, federal programs, and other programs.

Statements of Net Position

The statements of net position present the financial position of the Corporation at the end of the fiscal years 2021 and 2020 and include all assets and liabilities of the Corporation. The difference between total assets and total liabilities (net position) is one indicator of the financial condition of the Corporation, while the change in net position is an indicator of whether the financial condition has improved or declined during the year. Resources are classified into four net position categories: investment in permanent fund, general operations, restricted for debt service, and net investment in capital assets.

Yukon-Kuskokwim Health Corporation

Management's Discussion and Analysis (Continued)

Statements of Net Position (Continued)

A summarized comparison of the Corporation's assets, liabilities, and net position and certain ratios at September 30 follows (in thousands):

	2021	2020	2019	FY 21 % Increase (Decrease)	FY 20 % Increase (Decrease)
Assets:					
Current assets	\$ 538,994	\$ 294,722	\$ 167,170	83 %	76 %
Capital assets - Net	399,288	390,166	347,785	2 %	12 %
Other assets	169,649	172,782	229,992	(2)%	(25)%
Total assets	\$ 1,107,931	\$ 857,670	\$ 744,947	29 %	15 %
Liabilities:					
Current liabilities	\$ 198,383	\$ 72,347	\$ 34,664	174 %	109 %
Noncurrent liabilities	268,311	273,948	278,510	(2)%	(2)%
Total liabilities	466,694	346,295	313,174	35 %	11 %
Net position:					
Net investment in capital assets	130,126	134,294	138,248	(3)%	(3)%
Restricted Investment in Permanent Fund	18,304	16,719	34,208	9 %	(51)%
General operations	125,011	106,386	101,272	18 %	5 %
	367,796	253,976	158,045	45 %	61 %
Total net position	641,237	511,375	431,773	25 %	18 %
Total liabilities and net position	\$ 1,107,931	\$ 857,670	\$ 744,947	29 %	15 %
Current assets to total assets	49 %	34 %	22 %		
Capital assets - Net, to total assets	36 %	45 %	47 %		
Working capital (current assets less current liabilities)	\$ 340,611	\$ 222,375	\$ 132,506	53 %	68 %

Yukon-Kuskokwim Health Corporation

Management's Discussion and Analysis (Continued)

Statements of Net Position (Continued)

The Corporation's 2021 statements of net position show an increase of 25% in total net position, 83% increase in current assets, 174% increase in current liabilities, and 53% increase in working capital. A more detailed analysis of the reasons for these changes follows:

- The increase in current assets is primarily due to increases in cash, investments, and net patient accounts receivable.
- The increase in current liabilities is primarily due to an increase in unearned revenue for COVID-19 grants the Corporation received, but has not expended.
- The increase in working capital can be attributed primarily to current assets increasing due to increased cash, investments, and net patient accounts receivable.

The Corporation's 2020 statements of net position show an increase of 18% in total net position, 76% increase in current assets, 109% increase in current liabilities, and 68% increase in working capital. A more detailed analysis of the reasons for these changes follows:

- The increase in current assets is primarily due to an increase in cash and investments.
- The increase in capital assets - net is due to ongoing building construction projects expected to be complete in 2021.
- The decrease in other assets is primarily due to a significant decrease in restricted proceeds from debt issuances, as funds are expended on the construction project.
- The increase in current liabilities is primarily due to an increase in unearned revenue for COVID-19 grants the Corporation received, but has not expended.
- The increase in working capital can be attributed primarily to current assets increasing due to increased cash and investments.

Statements of Revenues, Expenses, and Changes in Net Position

The statements of revenues, expenses, and changes in net position present the results of operations for the Corporation as a whole. Revenues, expenses, and other changes in net position are reported as either operating or nonoperating. Significant recurring sources of the Corporation's revenue are grants, contracts, and compacts with the federal and state agencies and patient service and program income.

Yukon-Kuskokwim Health Corporation

Management's Discussion and Analysis (Continued)

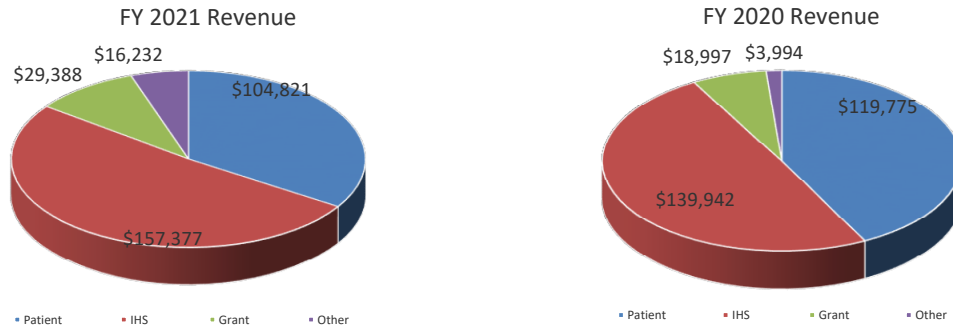
Statements of Revenues, Expenses, and Changes in Net Position (Continued)

A summarized comparison of the Corporation's revenues, expenses, and changes in net position and certain ratios for the years ended September 30 follows (in thousands):

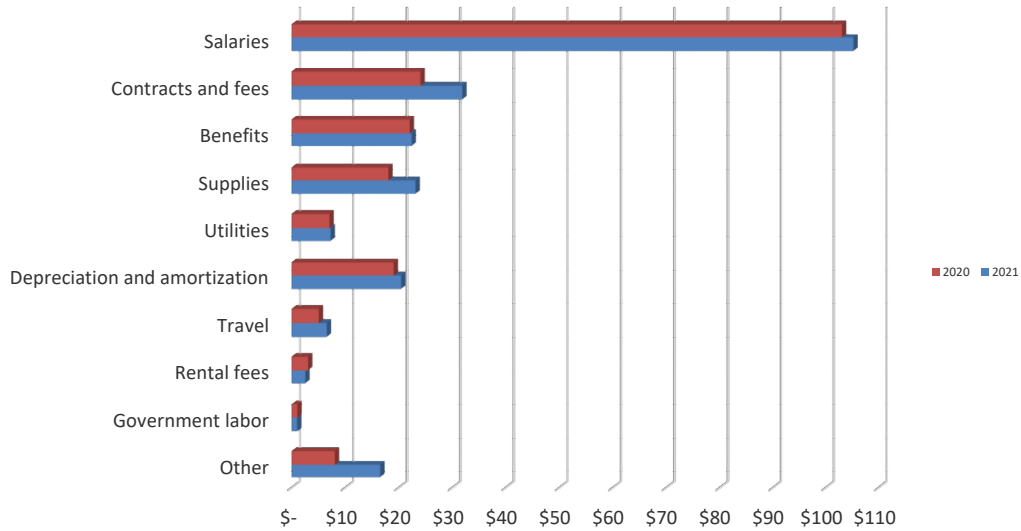
	2021	2020	2019	FY 21 % Increase (Decrease)	FY 20% Increase (Decrease)	% of total operating revenue 2021
Operating revenues:						
Net patient service revenue	\$ 104,821	\$ 119,775	\$ 132,334	(12)%	(9)%	34 %
Funding agreement	157,377	139,942	90,439	12 %	55 %	51 %
Operating grant revenue	29,388	18,997	15,765	55 %	21 %	10 %
Other revenue	16,231	3,994	3,955	306 %	1 %	5 %
Total operating revenues	307,817	282,708	242,493	9 %	17 %	100 %
Operating expenses:						
Salaries	105,198	103,430	98,518	2 %	5 %	34 %
Benefits	22,359	21,743	20,484	3 %	6 %	7 %
Contracts and fees	31,824	23,734	25,154	34 %	(6)%	10 %
Supplies	23,091	17,990	18,514	28 %	(3)%	8 %
Travel	6,493	5,429	8,174	20 %	(34)%	2 %
Utilities	7,216	7,364	7,673	(2)%	(4)%	2 %
Depreciation and amortization	20,397	19,098	11,140	7 %	71 %	7 %
Rental fees	2,493	2,610	2,276	(4)%	15 %	1 %
Government labor	957	928	900	3 %	3 %	0 %
Other	16,490	8,029	9,652	105 %	(17)%	5 %
Total operating expenses	236,518	210,355	202,485	12 %	4 %	77 %
Operating income	71,299	72,353	40,008	(1)%	81 %	23 %
Nonoperating revenues - Net	55,060	3,482	11,996	1,481 %	(71)%	18 %
Income before capital contributions	126,359	75,835	52,004	67 %	46 %	41 %
Capital contributions	3,503	3,767	2,607	(7)%	44 %	1 %
Increase in net position	129,862	79,602	54,611	63 %	46 %	42 %
Net position, beginning of year	511,375	431,773	377,162	18 %	14 %	166 %
Net position, end of year	\$ 641,237	\$ 511,375	\$ 431,773	25 %	18 %	208 %

Yukon-Kuskokwim Health Corporation Management's Discussion and Analysis (Continued)

A comparison of revenues by source for 2021 and 2020 follows (in thousands):



A comparison of expenses by natural class for 2021 and 2020 follows (millions):



Yukon-Kuskokwim Health Corporation

Management's Discussion and Analysis (Continued)

2021 Activity

The statements of revenues, expenses, and changes in net position reflect an overall increase in net position of 25%, or \$129,862,637, for 2021. Major factors contributing to these changes include:

Coronavirus Pandemic

Beginning in March 2020, the nation in general, and healthcare-related entities specifically, have been faced with the global coronavirus pandemic. As healthcare entities prepared for the crisis, operational changes were made to delay or cancel routine visits and elective procedures, and reevaluate the entire care delivery model to care for patient needs, specifically those affected by COVID-19. The complete financial impact on the economy in general and healthcare-related entities specifically is undeterminable at this time; however, it was noted and is anticipated by the Corporation that both operational performance and cash flows for healthcare-related entities have been and will be impacted in future periods until the pandemic ends.

In response to the pandemic, various sources of grant funding were made available to healthcare-related entities generally to assist them in preventing, preparing for, and responding to the coronavirus pandemic. Additional information about the coronavirus-related supplemental funding the Corporation received is included in Note 15 of the accompanying financial statements.

Operating Revenues

- Net patient service revenue decreased by \$14,953,403 in 2021, primarily due to decreases in hospital outpatient, emergency room (ER), and Community Health Aid Program (CHAP) revenues. The decreases were largely driven by decreases in volumes related to the coronavirus pandemic.
- Funding agreement revenue increased by \$17,434,420, or approximately 12%, in 2021.
- Operating grant revenue increased by \$10,390,718, or approximately 55% in 2021.
- Other operating revenue increased by \$12,237,186, or approximately 306% in 2021, primarily due to an increase in 105 lease revenue from IHS.

Operating Expenses

Total operating expenses for 2021 increased by \$26,161,979. Contributing factors were as follows:

- Salaries increased by \$1,767,898, primarily due to a 12% increase in salaries per full-time equivalent (FTE) during the year.
- Supplies increased by \$5,101,142, primarily due to coronavirus-related supply expenses.
- Contracts and fees increased by \$8,090,027, primarily due to increased costs related to contract staffing, consulting, and maintenance contract expenses, largely related to coronavirus.

Yukon-Kuskokwim Health Corporation

Management's Discussion and Analysis (Continued)

Statements of Revenues, Expenses, and Changes in Net Position (Continued)

Nonoperating Revenues (Expenses)

Total nonoperating revenues (expenses) increased by \$51,578,595, primarily due to a significant increase in investment income and COVID-19 grants recognized into revenue over the prior year.

2020 Activity

The statements of revenues, expenses, and changes in net position reflect an overall increase in net position of 18%, or \$79,601,355, for 2020. Major factors contributing to these changes include:

Operating Revenues

- Net patient service revenue decreased by \$12,559,184 in 2020, primarily due to decreases in emergency room (ER), outpatient, and radiology revenues. The decreases were largely driven by decreases in volumes related to the coronavirus pandemic.
- Funding agreement revenue increased by \$49,503,659, or approximately 55%, in 2020.

Operating Expenses

Total operating expenses for 2020 increased by \$7,870,946. Contributing factors were as follows:

- Salaries increased by \$4,911,921, primarily due to an increase in salary per full-time equivalent (FTE) during the year.
- Supplies decreased by \$524,210, due to decreased volumes due to coronavirus.
- Contracts and fees decreased by \$1,419,703, primarily due to decreased costs related to medical records, outsourced billing, and travel management.
- Depreciation increased by \$7,957,577 due to the new building being placed into service during the year.

Yukon-Kuskokwim Health Corporation

Management's Discussion and Analysis (Continued)

Statements of Revenues, Expenses, and Changes in Net Position (Continued)

Nonoperating Revenues (Expenses)

Total nonoperating revenues (expenses) decreased by \$8,514,090, primarily due to a loss related to the Corporation's investment in LifeMed and increase in interest expense.

Capital Contributions

Capital contributions increased by \$1,160,271 in 2020 over the prior year, primarily due to COVID-19 contributions.

Capital and Debt Activity

There was an increase in capital assets - net in fiscal year 2021 of \$9,121,774 and an increase of \$42,381,129 in fiscal year 2020. At September 30, 2021 and 2020, total long-term debt outstanding was \$273,363,215 and \$276,455,170, respectively.

Contacting Yukon Kuskokwim Health Corporation's Financial Management

The financial report is designed to provide the Corporation's management, creditors, grantors, members, and customers with a general view of the Corporation's finances and to demonstrate the Corporation's accountability for the funds it receives and expends. For additional information about this report, or if you need additional financial information, please contact the Accounting Department, Yukon-Kuskokwim Health Corporation, P.O. Box 528, Bethel, Alaska 99559.

Yukon-Kuskokwim Health Corporation

Statements of Net Position

September 30, 2021 and 2020

	2021	2020
Current assets:		
Cash and cash equivalents	\$ 128,116,480	\$ 98,747,672
Receivables:		
Funding agencies	14,234,293	11,522,805
Patients - Net	30,725,511	17,533,800
Employee advances and relocation costs	2,647,252	2,627,409
Other	39,480	309
Investments	354,604,129	158,499,721
Prepaid expenses	2,954,900	2,535,803
Inventory	5,346,973	3,029,080
Current portion of student loans receivable	324,863	225,065
Total current assets	538,993,881	294,721,664
Noncurrent investments and other assets:		
Student loans receivable, less current portion	235,118	411,183
Employee home loans receivable, less current portion	18,743	19,390
Investment in Permanent Fund	125,010,528	106,385,546
Investment in LifeMed	18,610,464	20,307,081
Amounts restricted under bond indenture	25,774,430	45,658,497
Total noncurrent investments and other assets	169,649,283	172,781,697
Capital assets:		
Nondepreciable capital assets	35,588,606	35,512,196
Depreciable capital assets - Net	363,699,220	354,653,856
Total capital assets - Net	399,287,826	390,166,052
TOTAL ASSETS	\$ 1,107,930,990	\$ 857,669,413

Yukon-Kuskokwim Health Corporation

Statements of Net Position (Continued)

September 30, 2021 and 2020

	2021	2020
Current liabilities:		
Current portion of long-term debt	\$ 5,052,320	\$ 2,507,473
Accounts payable and accrued expenses	12,394,219	8,521,704
Accounts payable - Construction and equipment	3,269,452	8,356,303
Accrued salaries, leave, and benefits	11,505,942	11,541,631
Estimated third-party payor settlements	1,288,181	1,288,181
Unearned revenue	164,872,908	40,131,988
Total current liabilities	198,383,022	72,347,280
Long-term debt, less current portion	268,310,895	273,947,697
Total liabilities	466,693,917	346,294,977
Net position:		
Net investment in capital assets	130,125,867	134,293,955
Restricted for debt service	18,303,722	16,719,121
Unrestricted:		
Investment in Permanent Fund	125,010,528	106,385,546
General operations	367,796,956	253,975,814
Total net position	641,237,073	511,374,436
TOTAL LIABILITIES AND NET POSITION	\$ 1,107,930,990	\$ 857,669,413

See accompanying notes to financial statements.

Yukon-Kuskokwim Health Corporation

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended September 30, 2021 and 2020

	2021	2020
Operating revenues:		
Net patient service revenue	\$ 104,821,197	\$ 119,774,600
Funding agreement	157,376,628	139,942,208
Operating grant revenue	29,387,668	18,996,950
Other revenue	16,231,618	3,994,432
Total operating revenues	307,817,111	282,708,190
Operating expenses:		
Salaries	105,198,029	103,430,131
Benefits	22,359,480	21,742,933
Contracts and fees	31,824,420	23,734,393
Supplies	23,091,051	17,989,909
Utilities	7,216,430	7,364,445
Travel	6,493,415	5,428,678
Rental fees	2,493,054	2,610,077
Furniture and equipment	7,118,824	1,049,800
Government labor	956,633	927,593
Freight and postage	1,920,940	1,355,932
Dues and subscriptions	1,355,685	1,090,619
Insurance	1,582,016	1,384,758
Repairs and maintenance	632,902	747,097
Education, advertising, and licensing	1,947,819	782,119
Relocation	797,977	792,826
Depreciation and amortization	20,396,848	19,097,671
Other	1,131,905	826,468
Total operating expenses	236,517,428	210,355,449
Operating income	71,299,683	72,352,741
Nonoperating revenues (expenses):		
Equity in gain (loss) of LifeMed	(1,696,616)	(867,800)
COVID-19 grants	19,962,004	-
Investment income	44,729,088	12,421,462
Gain on sale of assets	-	49,941
Financing fees	(6,843)	(321,566)
Interest expense	(7,927,386)	(7,800,385)
Total nonoperating revenues (expenses)	55,060,247	3,481,652
Income before capital contributions, excess of revenues over expenses	126,359,930	75,834,393
Capital contributions	3,502,707	3,766,962
Increase in net position	129,862,637	79,601,355
Net position, beginning of year	511,374,436	431,773,081
Net position, end of year	\$ 641,237,073	\$ 511,374,436

See accompanying notes to financial statements.

Yukon-Kuskokwim Health Corporation

Statements of Cash Flows

Years Ended September 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Receipts from grants, contracts, and compacts	\$ 182,813,406	\$ 146,957,113
Receipts from programs, patients, and third-party billings	91,629,486	123,098,556
Other receipts	16,172,604	3,635,832
Payments to vendors	(87,411,799)	(64,310,161)
Payments for salaries and benefits	(127,593,198)	(124,500,950)
Net cash provided by operating activities	75,610,499	84,880,390
Cash flows from noncapital financing activities -		
COVID-19 grants received net of amounts returned	145,942,327	38,818,978
Cash flows from capital and related financing activities:		
Purchase of capital assets	(34,605,473)	(61,479,806)
Principal paid on capital debt	(2,335,124)	(651,259)
Proceeds from sale of capital assets	-	79,071
Capital contributions	3,502,707	3,766,962
Financing fees paid	(6,843)	(321,566)
Interest paid on capital debt	(8,699,965)	(9,094,840)
Net cash used in capital and related financing activities	(42,144,698)	(67,701,438)
Cash flows from investing activities:		
Proceeds from sale of investments	429,025,159	209,689,604
Purchase of investments	(618,780,529)	(196,111,837)
Proceeds from interest and dividends, net of broker fees	40,509,908	6,766,934
Loans granted under principal payments received	76,914	(65,605)
Net cash provided by (used in) investing activities	(149,168,548)	20,279,096
Net increase in cash and cash equivalents	30,239,580	76,277,026
Cash and cash equivalents at beginning of year	99,118,738	22,841,712
Cash and cash equivalents at end of year	\$ 129,358,318	\$ 99,118,738

Yukon-Kuskokwim Health Corporation

Statements of Cash Flows (Continued)

Years Ended September 30, 2021 and 2020

	2021	2020
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 71,299,683	\$ 72,352,741
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	20,396,848	19,097,671
Provision for bad debts	2,252,435	2,863,944
Changes in operating assets and liabilities:		
Receivables:		
Funding agencies	(2,711,488)	(7,283,852)
Patients - Net	(15,444,146)	460,012
Other	(59,014)	(358,600)
Prepaid expenses	(419,097)	957,537
Inventory	(2,317,893)	571,344
Accounts payable and accrued expenses	3,888,263	245,672
Accrued salaries, leave, and benefits	(35,689)	672,114
Unearned revenue	(1,239,403)	(4,698,193)
Net cash provided by operating activities	\$ 75,610,499	\$ 84,880,390
Reconciliation of cash and cash equivalents to the statements of net position:		
Cash and cash equivalents	\$ 128,116,480	\$ 98,747,672
Amounts restricted under bond indenture:		
Concentration account	1,241,838	371,066
Total cash and cash equivalents	\$ 129,358,318	\$ 99,118,738
Noncash capital and financing activities:		
Accounts payable - Construction and equipment	\$ 3,269,452	\$ 8,356,303
Accrued interest included in accounts payable	-	15,748
Capitalized amortization of bond premiums	-	271,808
Supplemental cash flow information:		
Capitalized interest paid	\$ -	\$ 1,750,394
Change in unearned COVID-19 nonoperating grants	125,980,323	34,725,475

See accompanying notes to financial statements.

Yukon-Kuskokwim Health Corporation

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

In accordance with the guidance established by the American Institute of Certified Public Accountants' (AICPA's) audit and accounting guide, *Audits of State and Local Governments*, Yukon-Kuskokwim Health Corporation (the "Corporation") is subject to accounting principles generally accepted in the United States (GAAP) applicable to state and local governments because its governing board is appointed by tribal governments.

The Corporation follows the provisions of Governmental Accounting Standards Board (GASB) *Statements of Governmental Accounting Standards*. These statements establish standards for external financial reporting for all state and local governmental entities, which includes a management's discussion and analysis section; statements of net position; statements of revenues, expenses, and changes in net position; and statements of cash flows. It requires the classification of net position into three components: net investment in capital assets, restricted, and unrestricted.

The Entity

The Corporation administers a comprehensive healthcare delivery system for 58 federally recognized tribes in southwest Alaska. The system includes 43 community clinics, five subregional clinics, a regional hospital, dental services, inpatient and outpatient behavioral health services, including substance abuse counseling and treatment, health promotion and disease prevention programs, skilled nursing facility, and environmental health services. The Corporation is a tribal organization authorized by each of the 58 federally recognized tribal councils in its service area to negotiate with the federal Indian Health Service (IHS) to provide healthcare services under Title III of the Indian Self Determination and Education Assistance Act of 1975. The Corporation, along with 20 other tribal organizations, is a cosigner of the Alaska Tribal Health Compact, a consortium that secures federal funding agreements with the federal government to provide healthcare services to Alaska Natives and Native Americans throughout the state.

Financial Statement Presentation

The financial statements have been prepared in accordance with GAAP as prescribed by GASB. The Corporation's statements are reported using the economic resources measurement focus and full accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when the liability is incurred, regardless of the timing of the cash flows. Grants and similar items are recognized as revenue, as soon as eligibility requirements imposed by the provider have been met.

Use of Estimates

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

The Corporation considers critical accounting estimates to be those which require more significant judgments and include the valuation of patient accounts receivable, including contractual allowances and the allowance for doubtful accounts.

Yukon-Kuskokwim Health Corporation

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Cash Equivalents

Highly liquid debt instruments with an original maturity of three months or less are considered to be cash equivalents.

The Corporation's cash and equivalents are considered to be cash on hand and demand deposits.

Investments

Investments are recorded at fair value based on quoted market prices. All investment income, including changes in fair value of investments, is recorded as nonoperating revenue in the statements of revenues, expenses, and changes in net position.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as quoted market prices in active markets for identical assets or liabilities; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs, therefore, requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement within the hierarchy is based on techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Funding Agency Receivable

Receivables from funding agencies represent amounts billed under cost-reimbursable grants and amounts awarded and not yet received under the compact.

Patient Accounts Receivable and Credit Policy

Patient accounts receivable are uncollateralized patient obligations that are stated at the amount management expects to collect from outstanding balances. These obligations are primarily from local residents, most of whom are insured under third-party payor agreements. The Corporation bills the third-party payors on the patient's behalf, or if a patient is uninsured, the patient is billed directly. Once claims are settled with the primary payor, any secondary payor is billed, and patients are billed for copay and deductible amounts that are the patients' responsibility. Payments on patient accounts receivable are applied to the specific claim identified on the remittance advice or statement. The Corporation does not have a policy to charge interest on past due accounts.

Yukon-Kuskokwim Health Corporation

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Patient Accounts Receivable and Credit Policy (Continued)

Patient accounts receivable are recorded in the accompanying statements of net position net of contractual adjustments and an allowance for uncollectible accounts, which reflect management's estimate of the amounts that will not be collected. The carrying amounts of patient accounts receivable are reduced by allowances that reflect management's best estimate of the amounts that will not be collected. Management provides for contractual adjustments under terms of third-party reimbursement agreements through a reduction of gross revenue and a credit to patient accounts receivable. In addition, management provides for probable uncollectible amounts, primarily for uninsured patients and amounts patients are personally responsible for, through a reduction of gross revenue and a credit to the allowances for uncollectible accounts.

In evaluating the collectibility of patient accounts receivable, the Corporation analyzes past results 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 from the major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts and a provision for bad debts 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 includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Corporation 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 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.

Inventories

Inventories are valued at the lower of cost, determined on the first-in, first-out method, or net realizable value.

Yukon-Kuskokwim Health Corporation

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Loans Receivable

Loans receivable relate to financing arrangements made with employees to help pay for the cost of education or to assist them in purchasing a home.

Investment in Joint Venture

The investments in affiliated companies are accounted for under the equity method. The Corporation would recognize a loss when there is a loss in value in the equity method investment that is other than a temporary decline.

Capital Assets

Capital assets are stated at historical cost if purchased or, if donated, at the acquisition value at the date of the donation. Expenditures that increase values, change capacities, or extend useful lives are capitalized. Equipment under capital leases are stated at the present value of minimum lease payments. Maintenance, repairs, and minor replacements are charged to expense as incurred. The Corporation's policy is to capitalize all capital asset expenditures exceeding \$5,000. Capital assets acquired with federal and state grants for which the Corporation uses the capital assets in its activities and makes the decisions regarding when and how the capital assets will be used and managed are capitalized and recognized as contributed capital. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. Equipment held under capital leases and leasehold improvements are amortized under the straight-line method over the shorter of the lease term or estimated useful life of the asset. Such amortization is included with depreciation and amortization expense in the accompanying financial statements. The Corporation estimates the useful lives of assets to be as follows:

Buildings and improvements	20 to 35 years
Leasehold improvements	5 to 15 years
Vehicles	4 years
Computer equipment	3 to 5 years
Furnishings and equipment	3 to 10 years
Medical equipment	3 to 10 years
Major computer system	7 years

The Corporation capitalizes interest cost net of any interest earned on temporary investments of the proceeds for construction projects funded by tax-exempt borrowings. Interest expense is also capitalized for projects financed with operating funds.

Yukon-Kuskokwim Health Corporation

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

Capital assets are reviewed for impairment when events or changes in circumstances suggest that the service utility of the capital asset may have significantly and unexpectedly declined. Capital assets are considered impaired if both the decline in service utility of the capital asset is large in magnitude and the event or change in circumstance is outside the normal life cycle of the capital asset. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset, and construction stoppage. The determination of the impairment loss is dependent on the event or circumstance in which the impairment occurred. Impairment losses, if any, are recorded in the statements of revenues, expenses, and changes in net position.

Accrued Leave

Personnel leave is recorded in the year earned. All amounts are expected to be paid or used within one year.

Long-Term Debt

Premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. Long-term debt is reported net of the applicable premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as financing fees in the accompanying statements of revenues, expenses, and changes in net position in the year of issuance.

Net Position

Net position of the Corporation 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. It is further reduced by accounts payable for construction and equipment used for the purchase or construction of those assets. Restricted net position is noncapital net position that must be used for a particular purpose as specified by creditors, grantors, contributors external to the Corporation, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation and includes amounts deposited with trustees as required by revenue bond indenture and note payable escrow agreements. Unrestricted net position is remaining net position that does not meet the definition of net investment in capital assets or restricted.

When both restricted and unrestricted resources are available for use, it is the Corporation's policy to use externally restricted resources first.

Yukon-Kuskokwim Health Corporation

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Operating Revenues and Expenses

The Corporation's statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenue and expenses. Operating revenues result from exchange transactions associated with providing services and producing and delivering goods in connection with ongoing operations. The Corporation's principal operating revenues include grant, contract, and compact revenues and charges to customers, patients, and third parties for delivery of services. All revenues and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Funding Agreement

The Corporation receives a significant amount of revenue from U.S. Department of Health and Human Services, IHS Compact (the "IHS Compact"), which provides for direct care, including primary care, acute care, ancillary, and other healthcare services. The IHS Compact is not an insurance program. In general, all persons of Native American descent who belong to Native American communities are eligible for direct care at the Corporation.

Revenue from the IHS Compact is recognized monthly based on the compact amount awarded. Amounts designated for specific projects in the funding agreement are considered unearned revenue until the project is complete.

Other Grants and Operating Revenue

The Corporation also administers other federal, state, local, and private foundation grants and contracts, which are generally of a cost-reimbursement type and include provisions for advances and billings for costs incurred. Revenues and receivables are generally recorded when eligible expenses are incurred to the extent of the grant or contract amount. Amounts receivable from funding agencies at year-end included amounts relating to expenses incurred prior to year-end, but not billed until after year-end. Advances from funding agencies are considered liquidated when an expense is recorded. All grant and contract receipts in excess of expenses for ongoing programs have been recorded as unearned revenue.

Yukon-Kuskokwim Health Corporation

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Net Patient Service Revenue

Net patient 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. Estimated uncollectible revenue is reported as provision for bad debts in the financial statements. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Some healthcare is provided with the knowledge it will not be reimbursed. This is reported as charity care.

For uninsured patients who do not qualify for charity care, the Corporation 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 Corporation's uninsured patients will be unable or unwilling to pay for services provided. Thus, the Corporation records a provision for bad debts related to uninsured patients in the period the services are provided.

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 collection is not pursued on amounts determined to qualify as charity care, these amounts are not included in net patient service revenue in the accompanying statements of revenues, expenses, and changes in net position.

Federal Agency Costs and Reimbursements

Certain salary and employee benefit expenses of the Corporation's IHS program are paid directly by the federal government through a Memorandum of Agreement (MOA). In addition, the Corporation orders and receives supplies from the General Services Administration (GSA) as a federal contractor. These MOA and GSA costs are included as operating revenues and expenses in the statement of revenues, expenses, and changes in net position to indicate the total operating cost of the program.

Allocation of Indirect Expenses

Indirect expenses are allocated to programs based on an agreement negotiated with the cognizant agency that provides for allocation of indirect costs. These indirect costs are based on total direct expenditures of each program, less certain subcontracts and equipment purchases. Indirect charges to the various programs have been made at the current negotiated provisional rates unless otherwise limited by contractual agreement.

Yukon-Kuskokwim Health Corporation

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Income Taxes

The Corporation is exempt from income taxes as a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code. The Corporation is an affiliate government unit as described by Revenue Procedure 95-48, 1995-2 C.B. 418, and is not required to file annual information return Form 990, Return of Organization Exempt From Income Tax.

Advertising Costs

Advertising costs are expensed as incurred.

Employee Retention Bonuses

Amounts earned under the employee retention bonus program are expensed when employees reach their anniversary date and the amount becomes payable.

New Accounting Pronouncements

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. The statement enhances the relevance and consistency of reporting for the Corporation's leasing activities by establishing requirements for lease accounting based on the principle that leases are financings of underlying right-to-use assets. A lessee is required to recognize a lease liability and intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. The effective date for this guidance was extended with the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, and is effective for the Corporation's fiscal year ending September 30, 2022.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business type activity or enterprise fund. The requirements in this guidance should be applied prospectively. The Corporation adopted this guidance for the year ended September 30, 2021. The adoption of this guidance had no impact on the prior year September 30, 2020 financial statements.

Note 2: Deposits and Investments

Custodial Credit Risk - Cash and Cash Equivalents

At September 30, 2021 and 2020, bank balances were \$131,725,741 and \$100,962,877, respectively. Balances exceeding the \$250,000 Federal Deposit Insurance Corporation (FDIC) coverage limit are collateralized. The fair value of cash and cash equivalents approximates carrying value.

Yukon-Kuskokwim Health Corporation

Notes to Financial Statements

Note 2: Deposits and Investments (Continued)

Investments

The Corporation reports all equity and debt securities at fair value. Unrealized gains and losses are reflected in investment income. The chief executive officer or his designee, guided by the Corporation's investment policy, manages the Corporation's investments. A third-party trustee holds all investments in the Corporation's name.

Investments consisted of the following at September 30, 2021:

	Fair Value	Cost
Money market funds	\$ 22,493,811	\$ 22,493,742
Fixed income:		
Government and corporate bonds	188,841,672	187,696,306
Other	41,545,250	40,964,112
Equities:		
Domestic equities	135,961,642	107,108,334
International equities	64,807,056	57,250,356
Alternative investments	27,175,168	25,940,375
Asset allocation investments	16,329,500	15,527,978
Totals	\$ 497,154,099	\$ 456,981,203

Investments consisted of the following at September 30, 2020:

	Fair Value	Cost
Money market funds	\$ 16,573,723	\$ 16,573,697
Commercial paper	14,933,144	14,919,376
Fixed income:		
Government and corporate bonds	101,428,099	97,510,061
Other	20,419,160	20,989,573
Equities:		
Domestic equities	82,790,961	76,575,995
International equities	42,209,200	43,808,180
Alternative investments	15,097,170	14,730,962
Asset allocation investments	9,709,159	9,739,917
Accrued income on investments	18,932	-
Totals	\$ 303,179,548	\$ 294,847,761

Yukon-Kuskokwim Health Corporation

Notes to Financial Statements

Note 2: Deposits and Investments (Continued)

Maturities

Maturities for bonds and fixed-income mutual funds held at September 30 were as follows:

<i>Bond maturity</i>	2021	2020
Less than 1 year	\$ 21,532,276	\$ 25,849,716
1-2 years	49,618,778	23,379,381
3-5 years	78,341,575	28,626,479
6-10 years	29,172,637	22,278,958
Over 20 years	218,798	225,833
Undisclosed	51,502,858	21,486,892
Totals	\$ 230,386,922	\$ 121,847,259

Investment income consisted of the following for the years ended September 30:

	2021	2020
Change in fair value of investments	\$ 34,960,690	\$ 5,886,873
Net realized gains	3,046,788	485,743
Broker fees	(644,719)	(587,199)
Interest and dividends	7,366,329	6,636,045
Totals	\$ 44,729,088	\$ 12,421,462

Credit Risk

Credit ratings for bonds held at September 30 were as follows:

<i>Quality Rating</i>	2021	2020
AAA	\$ 638,430	\$ 9,964,685
AA	87,299,020	47,924,419
A	47,584,453	24,539,450
BBB	41,779,865	17,634,530
BB	559,841	201,192
Not rated	52,525,313	21,582,983
Totals	\$ 230,386,922	\$ 121,847,259

Yukon-Kuskokwim Health Corporation

Notes to Financial Statements

Note 2: Deposits and Investments (Continued)

Custodial Credit Risk - Investments

At September 30, 2021 and 2020, significantly all of the Corporation's investments were held with four financial institutions. Balances exceeding the \$500,000 Securities Investor Protection Corporation (SIPC) coverage limit are uninsured. Amounts in the Permanent Fund are managed accounts, not subject to custodial credit risk.

Interest Rate Risk

It is the Corporation's policy to achieve the objectives of:

- Maximizing earnings of the Corporation's funds invested in high-quality, low-risk securities.
- Investing funds in securities with principal returned in a time frame consistent with the anticipated funding needs of the Corporation, thereby reducing the risk of loss of principal.

Foreign Currency Exposure

None.

Permanent Fund

Included in investments are amounts invested in the Permanent Fund totaling \$125,010,528 and \$106,385,546 at September 30, 2021 and 2020, respectively. These investments are not restricted, as defined by GASB; however, it is the intent of the Corporation to maintain the corpus of the fund intact in perpetuity.

Yukon-Kuskokwim Health Corporation

Notes to Financial Statements

Note 3: Amounts Restricted Under Bond Indenture

Amounts restricted under bond indenture include cash, cash equivalents, investments, accrued income, and deposits held in escrow by trustees in accordance with financing agreements; assets designated by bond indenture for debt service; and debt service reserve funds.

The general obligation bond proceeds from the Alaska Municipal Bond Bank Authority (AMBBA) related to the 2017A Series obligation (the "AMBBA Loan") and the Alaska Industrial Development and Export Authority (AIDEA) Loan Anticipation Revenue Notes, Series 2017 (the "AIDEA Loan") covenants require that as long as any of the loans are outstanding and unpaid, the Corporation is to maintain the accounts and funds with a trustee as listed below:

Revenue Fund - In connection with the AMBBA Loan, AIDEA Loan, and resultant Master Trust Indenture, the Corporation is required to deposit net revenue into this fund upon receipt for the purposes of paying the current portion of applicable debt service in any given year. Net revenue as defined by the agreement includes all of the Corporation's net patient service revenue and other operating revenue, as are now in existence or as may be hereafter acquired, and the proceeds thereof from all sources, excluding all proceeds paid or payable by all grants from the United States or the State of Alaska. Under the terms of the Master Trust Indenture, this fund is held in an account in the custody and control of the Trustee. The Revenue Fund consists of individual accounts for the collection of revenues from various sources, as well as a concentration account that aggregates these revenues before transferring them to the Principal and Interest Fund. Funds are transferred to the Corporation after the required transfers to the Principal and Interest Fund have occurred. Principal and interest amounts for debt service on the applicable loans are expected to require approximately 8% of net revenues annually. There were no principal payments required on the AMBBA Loan during the year ended September 30, 2021. The AIDEA Loan was refunded in full with the issuance of the USDA Loan in 2020. Interest payments required on the applicable loans was \$4,833,237, and net revenues as defined in the agreement were \$121,052,815 for the year ended September 30, 2021.

Project Funds - The project funds were established with a trustee in association with the issuance of the AMBBA Loan and AIDEA Loan to complete a new clinic and various hospital remodeling projects, and to purchase equipment for the new facility.

Capitalized Interest Accounts - The Capitalized Interest Accounts were established to provide for the payment of all or a portion of the interest accrued on the AMBBA Loan and AIDEA Loan during construction. Any amount remaining is to be paid to the Project Fund upon completion. The Capitalized Interest Accounts were funded with proceeds from the AMBBA Loan and AIDEA Loan. Accrued interest included in accounts payable reported in the statements of net position will be funded through the Capitalized Interest Accounts.

Reserve Account - The Reserve Account is established as security for future payments. It was funded with the proceeds of the AMBBA Loan and is held by the Trustee in a designated bank account. The remaining portion was funded by the Corporation and is held in an escrow account with the bond holder.

Principal and Interest Fund - The Principal and Interest Fund was established to accumulate revenues during the year in anticipation of semiannual interest and principal payments and is funded by transfers from the Revenue Fund.

Yukon-Kuskokwim Health Corporation

Notes to Financial Statements

Note 3: Amounts Restricted Under Bond Indenture (Continued)

As of September 30, 2021, the Corporation's amounts restricted under bond indenture were as follows:

	Cash and Cash Equivalents	Investments	Interest Receivable	Due From Other Governments	Total
Project Funds	\$ -	\$ 7,470,708	\$ -	\$ -	\$ 7,470,708
Reserve Account	-	7,330,705	-	6,993,150	14,323,855
Concentration account	1,241,838	-	-	-	1,241,838
Principal and Interest Account	-	2,738,029	-	-	2,738,029
Totals	\$ 1,241,838	\$ 17,539,442	\$ -	\$ 6,993,150	\$ 25,774,430

As of September 30, 2020, the Corporation's amounts restricted under bond indenture were as follows:

	Cash and Cash Equivalents	Investments	Interest Receivable	Due From Other Governments	Total
Revenue Fund	\$ -	-	\$ 18,935	\$ -	\$ 18,935
Project Funds	-	28,920,441	-	-	28,920,441
Capitalized Interest Accounts	-	1,443,703	-	-	1,443,703
Reserve Account	-	7,328,846	-	6,993,150	14,321,996
Concentration account	371,066	-	-	-	371,066
Principal and Interest Account	-	582,356	-	-	582,356
Totals	\$ 371,066	\$ 38,275,346	\$ 18,935	\$ 6,993,150	\$ 45,658,497

Yukon-Kuskokwim Health Corporation

Notes to Financial Statements

Note 4: Fair Value Measurements

The following is a description of the valuation methodologies used for assets measured at fair value.

Money market funds: Valued using a net asset value (NAV) of \$1.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Corporation are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Corporation are deemed to be actively traded.

Government and agency obligations, municipal obligations, corporate obligations, and foreign obligations: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Real estate and specialty assets: Includes real estate investment trusts, real asset funds, and other specialty investments whose fair value is determined based on quoted market prices and other observable market data, excluding Level 3 investments. Level 3 investments are valued based on business appraisers' use valuations and appraisal methodologies, which are evaluated by secondary market brokers.

Domestic and international equities: The fair value for domestic and international equities is determined based on quoted market prices and other observable market data.

Alternative investments: The fair value of certain alternative investments is based on the NAV per share as a practical expedient.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Corporation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Yukon-Kuskokwim Health Corporation

Notes to Financial Statements

Note 4: Fair Value Measurements (Continued)

The Corporation's investments by level within the fair value hierarchy were as follows at September 30, 2021:

	Level 1	Level 2	Level 3	Total Assets at Fair Value
Money market funds	\$ 4,954,367	\$ 17,539,444	\$ -	\$ 22,493,811
Fixed income:				
Government and corporate bonds	188,841,672	-	-	188,841,672
Other	41,545,250	-	-	41,545,250
Equities:				
Domestic equities	20,616,427	115,345,215	-	135,961,642
International equities	37,556,298	27,250,758	-	64,807,056
Asset allocation investments	16,329,500	-	-	16,329,500
Total investments measured at fair value	\$ 309,843,514	\$ 160,135,417	\$ -	\$ 469,978,931
Alternative investments measured using NAV -				
Hedge funds				22,061,478
Private Equity				<u>5,113,690</u>
Total investments				<u>\$ 497,154,099</u>

Yukon-Kuskokwim Health Corporation

Notes to Financial Statements

Note 4: Fair Value Measurements (Continued)

The Corporation's investments by level within the fair value hierarchy were as follows at September 30, 2020:

	Level 1	Level 2	Level 3	Total Assets at Fair Value
Money market funds	\$ 618,184	\$ 15,955,539	\$ -	\$ 16,573,723
Commercial paper	-	14,933,144	-	14,933,144
Fixed income:				
Government and corporate bonds	94,041,436	7,386,663	-	101,428,099
Other	20,419,160	-	-	20,419,160
Equities:				
Domestic equities	68,995,425	13,795,536	-	82,790,961
International equities	35,461,930	6,747,270	-	42,209,200
Asset allocation investments	9,709,159	-	-	9,709,159
Total investments measured at fair value	\$ 229,245,294	\$ 58,818,152	\$ -	\$ 288,063,446
Alternative investments measured using NAV-				
Hedge funds				14,713,510
Private equity				383,660
Accrued interest income on investments				18,932
Total investments				\$ 303,179,548

Yukon-Kuskokwim Health Corporation

Notes to Financial Statements

Note 4: Fair Value Measurements (Continued)

Information regarding the Corporation's investments in entities that calculate NAV per share or its equivalent at September 30, 2021, was as follows:

	Type	Investment Strategy	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge Fund Managers (Strategic) LTD	Hedge fund	Multi-strategy	\$ 11,480,658	N/A	Quarterly after 12-month holding period	91 days
Aptitude Partners LTD	Hedge fund	Multi-strategy, long-term	11,134,234	N/A	Quarterly, 1/12 of a subscription	65 days
Vintage VIII Offshore SCSP	Private equity	Multi-strategy, long-term	1,755,694	\$ 1,868,886	Upon fund liquidation	N/A
Private Equity Managers	Private equity	Multi-strategy, long-term	1,270,012	3,170,490	Upon fund liquidation	N/A
Private Credit Managers	Alternative	Multi-strategy	1,534,570	2,267,878	Upon fund liquidation	N/A
Totals			\$ 27,175,168	\$ 7,307,254		

Yukon-Kuskokwim Health Corporation

Notes to Financial Statements

Note 4: Fair Value Measurements (Continued)

The Corporation's investments in entities that calculate NAV per share or its equivalent at September 30, 2020, was as follows:

	Type	Investment Strategy	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge Fund Managers (Strategic) LTD	Hedge Fund	Multi-strategy	\$ 10,890,109	N/A	Quarterly after 12-month holding period	91 days
Aptitude Partners LTD	Hedge Fund	Multi-strategy, long-term	3,823,401	N/A	Quarterly, 1/12 of a subscription	65 days
Vintage VIII Offshore SCSP	Private equity	Multi-strategy, long-term	175,225	\$ 3,024,000	Upon fund liquidation	N/A
Private Equity Managers	Private equity	Multi-strategy, long-term	208,435	3,972,200	Upon fund liquidation	N/A
Totals			\$ 15,097,170	\$ 6,996,200		

Yukon-Kuskokwim Health Corporation

Notes to Financial Statements

Note 5: Patient Accounts Receivable

Patient accounts receivable consisted of the following at September 30:

	2021	2020
Hospital and clinics patient accounts receivable:		
Medicare	\$ 4,584,811	\$ 3,041,343
Medicaid	33,219,916	18,473,199
Other third-party payors	5,731,427	3,139,962
Noncoverage	2,701,553	2,190,109
Total hospital and clinics patient accounts receivable	46,237,707	26,844,613
Other patient accounts receivable:		
Pharmacy	310,951	395,503
Dental	678,309	830,268
Other	2,127,048	603,948
Total other patient accounts receivable	3,116,308	1,829,719
Total patient accounts receivable	49,354,015	28,674,332
Less:		
Contractual allowances	17,927,897	10,755,291
Allowance for doubtful accounts	700,607	385,241
Patient accounts receivable - Net	\$ 30,725,511	\$ 17,533,800

Yukon-Kuskokwim Health Corporation

Notes to Financial Statements

Note 6: Reimbursement Arrangements With Third-Party Payors

Agreements are maintained with third-party payors that provide for reimbursement at amounts which vary from its established rates. A summary of the basis of reimbursement with major third-party payors follows:

Hospital

Medicare and Medicaid - Hospital outpatient and tribal clinic services are reimbursed at the federally defined all-inclusive IHS encounter rates. Inpatient hospital acute care services are reimbursed at the daily per diem rates, with additional reimbursement for physician and practitioner services available.

Other - The Corporation has entered into payment agreements with commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates per discharge, discounts from established charges, fee schedules, and prospectively determines daily rates.

Accounting for Medicare and Medicaid Contractual Arrangements

The Corporation is reimbursed for cost-reimbursable items at interim rates, with final settlements determined after audit of the related annual cost reports by the respective Medicare and Medicaid fiscal intermediaries. Estimated provisions to approximate the final expected settlements after review by the intermediaries are included in the accompanying financial statements.

Compliance

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to matters, such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and billing regulations. Government activity with respect to investigations and allegations concerning possible violations of such regulations by healthcare providers has increased. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of fines and penalties, as well as repayments for patient services previously billed. 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.

The Centers for Medicare and Medicaid Services (CMS) uses recovery audit contractors (RAC) as part of its efforts to ensure accurate payments. RACs search for potentially inaccurate Medicare payments that might have been made to healthcare providers and that were not detected through existing CMS program integrity efforts. Once the RAC identifies a claim it believes is inaccurate, it makes a deduction from or addition to the provider's Medicare reimbursement in an amount estimated to equal the overpayment or underpayment. Certain states have also hired Medicaid Integrity Contractors (MIC) to perform audits similar to RACs. The Corporation will have the ability to appeal adjustments before final settlement of the claim is made. As of September 30, 2021, the Corporation had not been notified by the RAC or MIC of any potential significant reimbursement adjustments.

Yukon-Kuskokwim Health Corporation

Notes to Financial Statements

Note 7: Investment in Joint Ventures

Investment in LifeMed

LifeMed of Alaska LLC (LMA) was established on April 25, 2008, under an agreement between Providence Health System - Alaska ("Providence") and the Corporation. It is the successor to each of the members' separate air ambulance operations. LMA provides medical transport services, both air and ground transport. LMA has five site locations that it maintains and originates flights from. The sites are located in Anchorage, Bethel, Soldotna, Fairbanks, and Wolf Lake, Alaska.

LMA's gains (losses) are allocated equally to each member, adjusted for depreciation of the respective property and equipment that each member contributed.

Summarized financial information for LMA at September 30 was as follows:

	2021	2020
Assets:		
Current assets	\$ 34,915,436	\$ 42,131,247
Capital assets - Net	12,139,771	6,235,283
Total assets	\$ 47,055,207	\$ 48,366,530
Liabilities and equity:		
Current liabilities	\$ 5,329,231	\$ 3,508,867
Long-term liabilities	4,084,958	3,905,156
Member equity	37,641,018	40,952,507
Total liabilities and equity	\$ 47,055,207	\$ 48,366,530
Equity allocable to the Corporation	\$ 18,610,464	\$ 20,307,081

The loss allocable to the Corporation as of September 30, 2021 and 2020, was \$(1,696,616) and \$(867,800), respectively.

Yukon-Kuskokwim Health Corporation

Notes to Financial Statements

Note 8: Capital Assets

Capital assets balances and activity for the year ended September 30, 2021, was as follows:

	Beginning Balance	Additions	Retirements and Transfers	Ending Balance
Depreciable capital assets:				
Buildings and leasehold improvements	\$ 420,405,838	\$ 21,818,353	\$ 214,012	\$ 442,438,203
Furnishings and equipment	72,640,534	7,409,847	-	80,050,381
Total depreciable capital assets	493,046,372	29,228,200	214,012	522,488,584
Less - Accumulated depreciation and amortization	138,392,516	20,396,848	-	158,789,364
Depreciable capital assets - Net	354,653,856	8,831,352	214,012	363,699,220
Nondepreciable capital assets:				
Artwork	140,503	-	-	140,503
Land	16,726,084	-	-	16,726,084
Construction in progress	18,645,609	290,422	(214,012)	18,722,019
Total nondepreciable capital assets	35,512,196	290,422	(214,012)	35,588,606
Capital assets - Net	\$ 390,166,052	\$ 9,121,774	\$ -	\$ 399,287,826

Construction in progress at September 30, 2021, was primarily costs related to building renovations and construction of a patient hotel. The estimated cost of the building renovations project is \$6,000,000 and is anticipated to be completed during the year ending September 30, 2022. The estimated cost of the patient hotel is \$70,000,000 and is anticipated to be completed during the year ending September 30, 2024.

Yukon-Kuskokwim Health Corporation

Notes to Financial Statements

Note 8: Capital Assets (Continued)

Capital assets balances and activity for the year ended September 30, 2020, was as follows:

	Beginning Balance	Additions	Retirements and Transfers	Ending Balance
Depreciable capital assets:				
Buildings and leasehold improvements	\$ 162,207,518	\$ 40,914,687	\$ 217,283,633	\$ 420,405,838
Furnishings and equipment	59,919,621	9,168,622	3,552,291	72,640,534
Total depreciable capital assets	222,127,139	50,083,309	220,835,924	493,046,372
Less - Accumulated depreciation and amortization	119,350,275	19,097,671	(55,430)	138,392,516
Depreciable capital assets - Net	102,776,864	30,985,638	220,891,354	354,653,856
Nondepreciable capital assets:				
Artwork	140,503	-	-	140,503
Land	16,697,728	28,356	-	16,726,084
Construction in progress	228,169,828	11,396,265	(220,920,484)	18,645,609
Total nondepreciable capital assets	245,008,059	11,424,621	(220,920,484)	35,512,196
Capital assets - Net	\$ 347,784,923	\$ 42,410,259	\$ (29,130)	\$ 390,166,052

The Corporation's net investment in capital assets included the following at September 30:

	2021	2020
Capital assets - Net	\$ 399,287,826	\$ 390,166,052
Project Fund	7,470,708	28,939,376
Less:		
Long-term debt	273,363,215	276,455,170
Accounts payable - Construction	3,269,452	8,356,303
Totals	\$ 130,125,867	\$ 134,293,955

Generally, title to buildings, furnishings, and equipment acquired with proceeds from contracts or grants vests with the Corporation. Such capital is expensed for grant reporting purposes, but is capitalized for financial reporting purposes and recorded as contributed capital in the period acquired. Capital contributions received in 2021 and 2020 were \$3,502,707 and \$3,766,962, respectively.

Yukon-Kuskokwim Health Corporation

Notes to Financial Statements

Note 9: Long-Term Debt

Long-term debt activity for the year ended September 30, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
AMBBA Loan (2)	\$ 100,715,000	\$ -	\$ -	\$ 100,715,000	\$ 2,155,000
FNBA loan (3)	6,465,597	-	(166,445)	6,299,152	177,247
USDA loan (4)	161,482,455	-	(2,168,679)	159,313,776	2,720,073
Subtotals	268,663,052	-	(2,335,124)	266,327,928	5,052,320
AMBBA Loan premium	7,632,815	-	(597,528)	7,035,287	-
AIDEA Loan premium	159,303	-	(159,303)	-	-
Total long-term debt	\$ 276,455,170	\$ -	\$ (3,091,955)	\$ 273,363,215	\$ 5,052,320

Long-term debt activity for the year ended September 30, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
AIDEA Loan (1)	\$ 161,975,000	\$ -	\$(161,975,000)	\$ -	-
AMBBA Loan (2)	100,715,000	-	-	100,715,000	-
FNBA Loan (3)	6,624,311	-	(158,714)	6,465,597	169,708
USBA loan (4)	-	161,975,000	(492,545)	161,482,455	2,337,765
Subtotals	269,314,311	161,975,000	(162,626,259)	268,663,052	2,507,473
AMBBA Loan premium	8,230,343	-	(597,528)	7,632,815	-
AIDEA Loan premium	1,128,038	-	(968,735)	159,303	-
Total long-term debt	\$ 278,672,692	\$ 161,975,000	\$(164,192,522)	\$ 276,455,170	\$ 2,507,473

Yukon-Kuskokwim Health Corporation

Notes to Financial Statements

Note 9: Long-Term Debt (Continued)

The terms and due dates of the Corporation's long-term debt are as follows:

(1) *AIDEA Loan* - The Corporation entered into a long-term debt agreement dated December 27, 2017, with AIDEA in the amount of \$161,975,000, with an original premium of \$3,022,454, to provide interim financing for the new building project (Note 8). Proceeds were used to establish a project fund and capitalized interest account and pay costs of issuance. Interest-only payments at 3.5% are due semiannually on each June 1 and December 1, commencing on June 1, 2018, until maturity on December 1, 2020. The Corporation anticipates the AIDEA Loan will be redeemed prior to maturity or paid at maturity from the proceeds of a direct loan (the "USDA Loan") from the Department of Agriculture, acting through the United States Department of Agriculture (USDA). The AIDEA Loan was refunded in full during the year ended September 30, 2021.

(2) The AMBBA Loan represents the proceeds loaned to the Corporation, including the issuance premium, of a March 2017 general obligation bond. The loan is payable in annual installments ranging from \$2,155,000 to \$6,625,000, beginning in October 2021 and continuing until maturity in October 2046. Interest payments ranging from 3.0% to 5.5% are due semiannually each October and April, beginning in October 2017 and continuing until maturity. The Corporation has pledged its revenues as security for the loan.

(3) *Commercial R.E. Loan* - The Corporation entered into a long-term debt agreement dated September 15, 2017, with First National Bank Alaska, in the original amount of \$6,750,000 due in monthly installments of \$36,762, including interest at 4.25%, maturing in August 2043. Proceeds were used to establish construction/term financing for a 54-unit housing project in Bethel, Alaska. The Corporation did not draw on this loan until fiscal year 2019.

(4) *USDA Loan* - The Corporation entered into a long-term debt agreement in September 2020 with USDA Rural Development, in the original amount of \$161,975,000 due in monthly installments of \$523,058, including interest at 2.25%, maturing in September 2060. Proceeds were used to refund the AIDEA Loan, which financed a new building project.

Yukon-Kuskokwim Health Corporation

Notes to Financial Statements

Note 9: Long-Term Debt (Continued)

Maturities for long-term debt are as follows for the years ending September 30:

	Principal	Interest	Total
2022	\$ 5,052,320	\$ 8,621,433	\$ 13,673,753
2023	5,186,836	8,475,192	13,662,028
2024	5,348,091	8,301,787	13,649,878
2025	5,536,131	8,122,498	13,658,629
2026	5,711,003	7,936,001	13,647,004
2027-2031	31,700,756	36,521,079	68,221,835
2032-2036	37,057,462	31,126,816	68,184,278
2037-2041	43,581,197	24,415,569	67,996,766
2042-2046	51,439,887	14,987,779	66,427,666
2047-2051	31,591,453	6,599,214	38,190,667
2052-2056	27,936,322	3,447,158	31,383,480
2057-2061	16,186,470	503,793	16,690,263
Totals	\$ 266,327,928	\$ 159,058,319	\$ 425,386,247

The AIDEA Loan and conduit revenue loan agreements contain various restrictive covenants, including those relating to limitations on incurring additional debt, debt service coverage, days cash on hand, and other covenants.

Interest

A summary of interest cost and investment income was as follows for the years ended September 30:

	Total	Capitalized Interest	Capitalized Amortization of Bond Premiums	Reported as Nonoperating Revenues (Expenses)
2021:				
Interest cost	\$ 7,927,386	\$ -	\$ -	\$ 7,927,386
Investment income	44,729,088	-	-	44,729,088
2020:				
Interest cost	9,822,587	(1,750,394)	(271,808)	7,800,385
Investment income	12,756,512	(335,050)	-	12,421,462

Yukon-Kuskokwim Health Corporation

Notes to Financial Statements

Note 10: Net Patient Service Revenue

Net patient service revenue consisted of the following for the years ended September 30:

	2021	2020
Gross patient service revenue	\$ 181,939,070	\$ 196,116,083
Less:		
Contractual allowances	73,110,831	70,702,174
Provision for bad debts	2,252,435	2,863,944
Charity care	1,754,607	2,775,365
Total adjustments	77,117,873	76,341,483
Net patient service revenue	\$ 104,821,197	\$ 119,774,600

Gross patient service revenue and contractual allowances include amounts for services provided to qualifying patients under the IHS Compact. In accordance with the IHS Compact, the Corporation does not bill or pursue collections for services provided to qualifying patients. Accordingly, amounts included in gross patient service revenue covered under the IHS Compact are fully offset within contractual allowances.

The Corporation's percentage of gross patient service revenue by payor was as follows for the years ended September 30:

	2021	2020
Medicare	11 %	11 %
Medicaid	55 %	57 %
Other third-party payors	34 %	32 %
Totals	100 %	100 %

Yukon-Kuskokwim Health Corporation

Notes to Financial Statements

Note 11: Charity Care

The Corporation provides healthcare services and other financial support through various programs that are designed, among other matters, to enhance the health of the community, including the health of low-income patients. Consistent with the mission of the Corporation, healthcare is provided to patients regardless of their ability to pay, including providing services to those persons who cannot afford health insurance because of inadequate resources.

Patients who meet certain criteria for charity care, generally based on federal poverty guidelines, are provided care based on criteria defined in the Corporation's charity care policy. The Corporation maintains records to identify and monitor the level of charity care it provides. The amount of charges foregone for services and supplies furnished under the Corporation's charity care policy aggregated to \$1,754,607 and \$2,775,365 for the years ended September 30, 2021 and 2020, respectively.

Note 12: Functional Expenses

The Corporation provides general healthcare services to residents within its geographic location. Expenses, including interest expense, related to providing these services consisted of the following for the years ended September 30:

	2021	2020
Healthcare services	\$ 185,745,705	\$ 172,130,544
General and administrative	58,699,109	46,025,290
Totals	\$ 244,444,814	\$ 218,155,834

Yukon-Kuskokwim Health Corporation

Notes to Financial Statements

Note 13: Commitments and Contingencies

Grant and Contract Expenditures

Expenditures reimbursed under grants and contracts are subject to audits by governmental agencies or their representatives. Amounts reflected in the financial statements as expenditures in prior periods have generally not been audited by the funding agencies. Accordingly, adjustments of amounts received under grants and contracts could result if the grants and contracts are audited by such agencies.

Litigation

The Corporation is a party to various claims and legal actions arising from the ordinary course of business. In the opinion of management, the outcome of these actions will not have a material adverse effect on the financial statements of the Corporation.

Malpractice

The Corporation is covered under Federal Tort Claim Act (FTCA), and this coverage is extended to contractors, grantees, and recipients of cooperative agreements under Public Law 93-638, the Indian Self-Determination and Education Assistance Act. Losses from asserted claims that arise in programs funded by the IHS, are the responsibility of the federal government under the FTCA. It is uncertain whether the FTCA coverage extends to programs/services provided by the Corporation that are not specifically addressed under the Compact. No provision for liability, if any, is included in the accompanying financial statements.

Yukon-Kuskokwim Health Corporation

Notes to Financial Statements

Note 13: Commitments and Contingencies (Continued)

Healthcare Reform

As a result of recently enacted federal healthcare reform legislation, substantial changes are anticipated in the United States' healthcare system. Such legislation includes numerous provisions affecting the delivery of healthcare services, the financing of healthcare costs, reimbursement of healthcare providers, and the legal obligations of health insurers, providers, and employers. The federal healthcare reform legislation does not affect the financial statements for the years ended September 30, 2021 and 2020.

Employee Retention Bonus Program

The Corporation has an employee retention bonus program. The program was designed to improve employee retention for positions that are difficult to fill. Amounts owed under the program are paid to the employees upon their anniversary date. If an employee terminates employment, any unpaid retention bonus is forfeited; therefore, the bonuses are not considered to be earned until the anniversary date.

Potential amounts to be paid through the employee retention bonus program are as follows for the years ending September 30:

	Retention Amounts
2022	\$ 9,497,776
2023	11,967,198
Total	\$ 21,464,974

Yukon-Kuskokwim Health Corporation

Notes to Financial Statements

Note 13: Commitments and Contingencies (Continued)

Service and Operating Lease Agreements

The Corporation has noncancellable service agreements for equipment with remaining terms from one to two years. Rental expense for the service agreements during the years ended September 30, 2021 and 2020, was \$1,337,624 and \$1,420,080, respectively. The Corporation also leases 40 health clinics from the villages in the Yukon-Kuskokwim Delta. The leases are for one year with options to renew annually for an additional four years. Annual rent was \$864,899 and \$830,061 for 2021 and 2020, respectively, under these leases.

Lease Income

The Corporation has numerous agreements with IHS for facilities to be used for the administration and delivery of health care services. Payments are made in lump sum to the Tribe, contingent upon the availability of appropriated funds from which payment can be made. No legal liability on the part of the government for any payment may arise unless such funds are made available for IHS. The lease agreements are for one-year terms, with annual options to renew. The Corporation receives payment based on prior year costs, which includes reimbursement for eligible rent, depreciation, operations, maintenance, custodial, and certain supply costs. During the year ended September 30, 2021, the Corporation received \$3,373,170 in payments for the one-year term ended September 30, 2019, \$5,060,755 for the one-year term ended September 30, 2020, and \$3,758,327 for the one-year term ended September 30, 2021, for a total of \$12,192,252 reported in other operating revenue.

Note 14: Pension Plans

The Corporation has a defined contribution plan that covers all of its eligible full-time benefited employees, called the Yukon-Kuskokwim Health Corporation Retirement Plan (the "Plan"). The Plan is administered by OneAmerica Financial Partners, Inc. Plan investments are participant directed. Plan terms are established and amended under the authority of the Corporation.

Employees who have completed one year of employment, worked more than 1,000 hours, and attained the age of 18 are generally eligible to participate in the Plan. The Plan provides for discretionary employer contributions based on a percentage of employee compensation. In addition, the Corporation may make a matching contribution equal to a discretionary percentage of the employee's elective contribution to the 403(b) plan. The Corporation's management elected a discretionary contribution of 6% and a matching contribution of 2% for calendar years 2021 and 2020. Employee contributions to the Plan were \$4,571,320 and \$4,088,389 for the years ended September 30, 2021 and 2020, respectively. The Corporation recognized pension plan expenses of \$6,294,268 and \$4,917,918 for the years ended September 30, 2021 and 2020, respectively.

Yukon-Kuskokwim Health Corporation

Notes to Financial Statements

Note 15: COVID-19 Relief Funds and Grant Revenue

The Corporation received \$0 and \$11,134,390 during the years ended September 30, 2021 and 2020, respectively, in grant funding from the Department of Health and Human Services (HHS) Provider Relief Fund, which was established as a result of the CARES Act. Based on the terms and conditions of the grants, the Corporation earns the grants by incurring healthcare-related expenses attributable to COVID-19 that another source has not reimbursed and is not obligated to reimburse, and by incurring lost revenues as defined by HHS. The Corporation recognized \$7,528,780 and \$0 in grant revenue related to this program during the years ended September 30, 2021 and 2020, respectively. The Corporation returned \$3,605,610 of the grant funding to HHS during the year ended September 30, 2021. Unearned revenue related to the program was \$0 and \$11,134,390 as of September 30, 2021 and 2020, respectively.

The Corporation received \$149,547,937 and \$27,720,688 during the years ended September 30, 2021 and 2020, respectively, from IHS to respond to the coronavirus pandemic. The grants are generally to be used to prevent, prepare for, or respond to coronavirus and include amounts for testing, maintenance and improvement, equipment, and contract support costs related to coronavirus. The Corporation recognized \$17,220,435 and \$4,129,603 in grant revenue related to the grants during the years ended September 30, 2021 and 2020, respectively. \$155,918,587 and \$23,591,085 was reported as unearned revenue as of September 30, 2021 and 2020, respectively.

\$4,787,211 and \$4,129,603 of the IHS grant revenue was reported in operating revenue for the years ended September 30, 2021 and 2020, respectively. All other IHS grant revenue was reported in nonoperating revenue (expenses) for the years ended September 30, 2021 and 2020.

Note 16: Reclassifications

Certain reclassifications have been made to the 2020 financial statements to conform to the 2021 classifications.

Supplementary Information

Yukon-Kuskokwim Health Corporation

Combining Statement of Net Position

September 30, 2021

	General Account	Indian Health Service	State of Alaska Program	Federal Program	Other Programs	Reclassifications	Total
Current assets:							
Cash and cash equivalents	\$ 6,847,529	\$ 121,268,391	\$ -	\$ -	\$ 560	\$ -	\$ 128,116,480
Receivables:							
Funding agencies	-	7,861,977	1,044,164	4,372,381	955,771	-	14,234,293
Patients - Net	(9,923)	29,447,253	-	-	-	1,288,181	30,725,511
Employee advances and relocation costs	2,647,252	-	-	-	-	-	2,647,252
Other	39,480	-	-	-	-	-	39,480
Investments	354,604,129	-	-	-	-	-	354,604,129
Prepaid expenses	2,954,900	-	-	-	-	-	2,954,900
Inventory	5,346,973	-	-	-	-	-	5,346,973
Current portion of student loans receivable	324,863	-	-	-	-	-	324,863
Due (to) from other funds	(515,212,746)	355,919,525	(201,363)	6,814,201	152,680,383	-	-
Total current assets	(142,457,543)	514,497,146	842,801	11,186,582	153,636,714	1,288,181	538,993,881
Noncurrent investments and other assets:							
Student loans receivable, less current portion	235,118	-	-	-	-	-	235,118
Employee home loans receivable, less current portion	18,743	-	-	-	-	-	18,743
Investment in Permanent Fund	125,010,528	-	-	-	-	-	125,010,528
Investment in LifeMed	18,610,464	-	-	-	-	-	18,610,464
Amounts restricted under bond indenture	25,774,430	-	-	-	-	-	25,774,430
Total noncurrent investments and other assets	169,649,283	-	-	-	-	-	169,649,283
Capital assets:							
Nondepreciable capital assets	30,993,297	4,589,342	-	5,967	-	-	35,588,606
Depreciable capital assets - Net	363,699,181	-	-	39	-	-	363,699,220
Total capital assets - Net	394,692,478	4,589,342	-	6,006	-	-	399,287,826
TOTAL ASSETS	\$ 421,884,218	\$ 519,086,488	\$ 842,801	\$ 11,192,588	\$ 153,636,714	\$ 1,288,181	\$ 1,107,930,990

Yukon-Kuskokwim Health Corporation
Combining Statement of Net Position (Continued)

September 30, 2021

	General Account	Indian Health Service	State of Alaska Program	Federal Program	Other Programs	Reclassifications	Total
Current liabilities:							
Current portion of long-term debt	\$ 5,052,320	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,052,320
Accounts payable and accrued expenses	9,957,685	1,912,130	92,155	158,913	272,898	438	12,394,219
Accounts payable - Construction and equipment	3,269,452	-	-	-	-	-	3,269,452
Accrued salaries, leave, and benefits	11,505,942	-	-	-	-	-	11,505,942
Estimated third-party payor settlements	-	-	-	-	-	1,288,181	1,288,181
Unearned revenue	83,569	-	556,363	11,037,986	153,194,990	-	164,872,908
Total current liabilities	29,868,968	1,912,130	648,518	11,196,899	153,467,888	1,288,619	198,383,022
Long-term debt, less current portion	268,310,895	-	-	-	-	-	268,310,895
Total liabilities	298,179,863	1,912,130	648,518	11,196,899	153,467,888	1,288,619	466,693,917
Net position:							
Net investment in capital assets	125,530,519	4,589,342	-	6,006	-	-	130,125,867
Restricted for debt service	18,303,722	-	-	-	-	-	18,303,722
Unrestricted:							
Investment in Permanent Fund	125,010,528	-	-	-	-	-	125,010,528
General operations	(145,140,414)	512,585,016	194,283	(10,317)	168,826	(438)	367,796,956
Total net position	123,704,355	517,174,358	194,283	(4,311)	168,826	(438)	641,237,073
TOTAL LIABILITIES AND NET POSITION	\$ 421,884,218	\$ 519,086,488	\$ 842,801	\$ 11,192,588	\$ 153,636,714	\$ 1,288,181	\$ 1,107,930,990

See Independent Auditor's Report.

Yukon-Kuskokwim Health Corporation
Combining Statement of Revenues, Expenses, and Changes in Net Position

September 30, 2021

	General Account	Indian Health Service	State of Alaska Program	Federal Program	Other Programs	Reclassifications	Total
Operating revenues:							
Net patient service revenue	\$ 8,627	\$ 104,812,570	\$ -	\$ -	\$ -	\$ -	\$ 104,821,197
Funding agreement	-	157,412,729	-	-	12,397,123	(12,433,224)	157,376,628
Operating grant revenue	271,816	-	5,056,935	26,110,644	8,979,759	(11,031,486)	29,387,668
Intracompany	544,642	1,199,810	-	-	-	(1,744,452)	-
Other revenue	15,236,944	994,674	-	-	-	-	16,231,618
Total operating revenues	16,062,029	264,419,783	5,056,935	26,110,644	21,376,882	(25,209,162)	307,817,111
Operating expenses:							
Salaries	19,077,679	72,971,173	2,369,541	9,357,391	2,209,510	(787,265)	105,198,029
Benefits	4,332,021	15,287,824	504,522	2,125,353	306,576	(196,816)	22,359,480
Contracts and fees	10,736,605	6,992,968	294,498	2,574,683	12,041,296	(815,630)	31,824,420
Supplies	1,648,979	16,865,100	283,962	2,690,832	2,409,920	(807,742)	23,091,051
Utilities	5,896,862	1,137,161	145,336	10,903	32,398	(6,230)	7,216,430
Travel	239,438	4,739,081	66,378	1,246,129	708,819	(506,430)	6,493,415
Rental fees	910,521	2,016,664	20,700	92,301	66,571	(613,703)	2,493,054
Furniture and equipment	889,156	591,785	224,235	3,793,186	2,904,224	(1,283,762)	7,118,824
Government labor	2,269	798,763	-	-	155,601	-	956,633
Freight and postage	251,976	1,259,895	4,599	346,728	262,828	(205,086)	1,920,940
Dues and subscriptions	964,445	245,833	400	43,825	101,182	-	1,355,685
Insurance	1,582,016	-	-	-	-	-	1,582,016
Repairs and maintenance	(63,883)	221,756	31,841	380,038	65,712	(2,562)	632,902
Education, advertising, and licensing	410,124	1,259,140	31,717	218,137	28,701	-	1,947,819
Relocation	45,225	721,107	(2,500)	38,918	10,533	(15,306)	797,977
Depreciation and amortization	20,382,612	12,077	-	2,159	-	-	20,396,848
Other	464,451	370,208	152,775	138,853	11,806	(6,188)	1,131,905
Total direct operating expenses	67,770,496	125,490,535	4,128,004	23,059,436	21,315,677	(5,246,720)	236,517,428
Allocation of indirect expenses	(51,449,982)	47,369,974	928,937	3,051,218	99,853	-	-
Total operating expenses	16,320,514	172,860,509	5,056,941	26,110,654	21,415,530	(5,246,720)	236,517,428
Operating income (loss) (carried forward)	(258,485)	91,559,274	(6)	(10)	(38,648)	(19,962,442)	71,299,683

Yukon-Kuskokwim Health Corporation
Combining Statement of Revenues, Expenses, and Changes in Net Position (Continued)

September 30, 2021

	General Account	Indian Health Service	State of Alaska Program	Federal Program	Other Programs	Reclassifications	Total
Operating income (loss) (brought forward)	\$ (258,485)	\$ 91,559,274	\$ (6)	\$ (10)	\$ (38,648)	\$ (19,962,442)	\$ 71,299,683
Nonoperating revenues (expenses):							
Equity in gain of LifeMed	-	-	-	-	-	(1,696,616)	(1,696,616)
COVID-19 grants	-	-	-	-	-	19,962,004	19,962,004
Investment income	43,032,472	-	-	-	-	1,696,616	44,729,088
Financing fees	(6,843)	-	-	-	-	-	(6,843)
Interest expense	(7,927,386)	-	-	-	-	-	(7,927,386)
Total nonoperating revenues	35,098,243	-	-	-	-	19,962,004	55,060,247
Income before capital contributions, excess of revenues over expenses	34,839,758	91,559,274	(6)	(10)	(38,648)	(438)	126,359,930
Capital contributions	3,502,707	-	-	-	-	-	3,502,707
Increase (decrease) in net position	38,342,465	91,559,274	(6)	(10)	(38,648)	(438)	129,862,637
Net position, beginning of year	85,361,890	425,615,084	194,289	(4,301)	207,474	\$-	511,374,436
Net position, end of year	\$ 123,704,355	\$ 517,174,358	\$ 194,283	\$ (4,311)	\$ 168,826	\$ (438)	\$ 641,237,073
Expenses related to hospital operations	\$ 28,881,902	\$ 90,019,924	\$ 5,080	\$ 8,702,537	\$ 20,207,234		
Expenses related to nonhospital operations	38,888,594	35,470,611	4,122,924	14,356,899	1,108,443		
Total direct operating expenses	\$ 67,770,496	\$ 125,490,535	\$ 4,128,004	\$ 23,059,436	\$ 21,315,677		

See Independent Auditor's Report.

Yukon-Kuskokwim Health Corporation
Statement of Revenues, Expenses, and Changes in Net Position
Skilled Nursing Facility

Year Ended September 30, 2021

Operating revenues:	
Patient service revenue	\$ 6,651,883
Less - Contractual allowances	468,685
Net patient service revenue	6,183,198
Other revenue	24,440
Total operating revenues	6,207,638
Operating expenses:	
Salaries	2,849,380
Benefits	603,593
Contracts and fees	249,730
Supplies	224,111
Utilities	250,069
Travel	43,153
Rental fees	70,038
Furniture and equipment	7,462
Freight and postage	25,995
Dues and subscriptions	2,839
Repairs and maintenance	100,889
Education, advertising, and licensing	34,463
Other operating expense	6,657
Depreciation and amortization	465,189
Relocation	44,961
Allocation of indirect expenses	1,750,915
Total operating expenses	6,729,444
Decrease in net position	\$ (521,806)

See Independent Auditor's Report.

Yukon-Kuskokwim Health Corporation
Schedule of Capital Assets
Skilled Nursing Facility

Year Ended September 30, 2021

Capital assets being depreciated:

Buildings and leasehold improvements	\$ 16,182,187
Furnishings and equipment	405,974

Total capital assets being depreciated	16,588,161
Less - Accumulated depreciation	4,095,841

Capital assets being depreciated - Net	12,492,320
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Capital assets not being depreciated:

Artwork	5,500
Land	700,882

Total capital assets not being depreciated	706,382
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Capital assets - Net	\$ 13,198,702
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See Independent Auditor's Report.