



SOUTH DAKOTA
DEPARTMENT
OF PUBLIC SAFETY

prevention — protection — enforcement
Emergency Management

July 3, 2025

Monument Health
Dan Campnell
353 Fairmont Blvd
Rapid City, SD 57701

Dear Mr. Campnell:

The Department of Public Safety has received a copy of your audit report for the year ending in June 2024, which included one audit finding pertinent to the Public Assistance Grants administered through our department. OMB Uniform Guidance 2 CFR §200.521 requires that we issue a management decision within 6 months of acceptance of the audit report.

Finding 2024-001: Activities Allowed or Unallowed and Allowable Costs. Testing identified instances where contract labor costs were overclaimed under the program due to a calculation error. Cost centers for behavioral health and med/surg were to be excluded from Monument Health's methodology for identifying contract labor attributable to Covid. This created a higher percentage of Covid patient days to total patient days, which increased the calculated contract labor attributable to Covid.

Monument Health's control did not detect or correct the calculation error identified. As a result, expenditures were claimed under the federal program that may be unallowable, and there is a reasonable possibility that Monument Health would not be able to detect and correct noncompliance in a timely manner.

Mr. Campnell informed us of this error when it was discovered. Monument Health will perform a more in-depth review of future calculations for consistency and accuracy. No new internal control practices or policies were identified.

Our Office notified FEMA of this single audit finding because it involved federal funding from their program. FEMA requested that the funding be returned. The discrepancy was in the amount of \$65,538.49 with a federal cost share of \$58,984.64 (90%), state cost share of \$2,621.54 (4%), and local cost share of \$3,932.31. Monument Health has returned \$61,606.18, representing the federal and state cost shares. FEMA has completed the versioning of the project to reflect the correct amount.

Based on our review, you have returned the ineligible funding and indicated that a more thorough review will be performed in the future. Therefore, we consider this issue to be resolved. If you decide to change this procedure or practice in the future, please let us know.

Sincerely,

Dustin Hight
Recovery Branch Chief



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C/O 500 EAST CAPITOL
PIERRE, SD 57501-5070
(605) 773-3595

RUSSELL A. OLSON
AUDITOR GENERAL

Date: April 17, 2025

To: SD Department of Public Safety
SD State Board of Internal Control

Re: Audit Report on – Monument Health, Inc.
As of and for the year ended June 30, 2024
By: Eide Bailly, LLP, CPAs

We have accepted the final report on the audit of the above-named entity conducted under the requirements of OMB Uniform Guidance.

OMB Uniform Guidance requires the State of South Dakota, as a direct recipient of federal assistance who provides federal awards to a subrecipient, to:

1. Ensure that subrecipients expending \$750,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Uniform Guidance for that fiscal year.
2. Ensure that the subrecipient takes timely and appropriate corrective action when the audit report discloses instances of noncompliance with federal laws and regulations.
3. Consider whether this subrecipient audit necessitates adjustment of your program records.

The accompanying audit report is submitted to you to help fulfill these requirements.

The report does identify audit findings and/or question costs pertaining to federal award programs administered by your agency/department that are required to be reported in accordance with OMB Uniform Guidance, §200.516(a). See reference to this on page 9 of the federal grant section of this audit report.

Please contact us if you have any questions.

Sincerely,

Russell A. Olson
Auditor General

RAO:sld

Enclosure



Consolidated Financial Statements
June 30, 2024 and 2023

Monument Health, Inc.

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Independent Auditor's Report

The Board of Directors
Monument Health, Inc.
Rapid City, South Dakota

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Monument Health, Inc., which comprise the consolidated balance sheets as of June 30, 2024 and 2023, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Monument Health, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Monument Health, Inc.'s ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Minneapolis, Minnesota
October 22, 2024

Monument Health, Inc.
Consolidated Balance Sheets
June 30, 2024 and 2023
(Amounts in Thousands)

	<u>2024</u>	<u>2023</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 52,693	\$ 31,311
Patient receivables, net	168,491	144,692
Other receivables	15,277	17,510
Assets limited as to use	10,228	30,894
Inventory	31,560	30,618
Prepaid expenses	<u>18,716</u>	<u>14,701</u>
Total current assets	296,965	269,726
Assets Limited as to Use, Less Current Portion	621,594	547,911
Property and Equipment, Net	559,120	586,179
Goodwill and Intangibles, Net	6,930	7,387
Net Pension Asset	3,344	-
Other Long-Term Assets	<u>8,612</u>	<u>9,276</u>
	<u><u>\$ 1,496,565</u></u>	<u><u>\$ 1,420,479</u></u>

Monument Health, Inc.
Consolidated Balance Sheets
June 30, 2024 and 2023
(Amounts in Thousands)

	<u>2024</u>	<u>2023</u>
Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt	\$ 6,135	\$ 5,835
Accounts payable	35,244	39,172
Estimated payables to third-party payors	14,214	14,946
Accrued expenses		
Salaries and wages	27,547	20,865
Compensated absences	18,904	17,973
Employee health claims	2,428	1,888
Interest	4,873	4,970
Other	17,456	14,467
Total current liabilities	<u>126,801</u>	<u>120,116</u>
Other Liabilities		
Other long-term liabilities	32,010	32,002
Accrued pension liability	-	8,176
Long-term debt, net of current maturities, unamortized debt issuance costs, and bond premiums	<u>349,409</u>	<u>357,948</u>
Total liabilities	<u>508,220</u>	<u>518,242</u>
Net Assets		
Without donor restrictions	961,734	880,408
Noncontrolling interest	<u>115</u>	<u>115</u>
Total without donor restrictions	961,849	880,523
With donor restrictions	<u>26,496</u>	<u>21,714</u>
Total net assets	<u>988,345</u>	<u>902,237</u>
	<u>\$ 1,496,565</u>	<u>\$ 1,420,479</u>

Monument Health, Inc.
Consolidated Statements of Operations and Changes in Net Assets
Years Ended June 30, 2024 and 2023
(Amounts in Thousands)

	2024	2023
Operating Revenue		
Patient service revenue	\$ 1,114,317	\$ 1,008,421
Other	54,487	57,116
Provider relief and other (Note 14)	11,477	297
Total operating revenue	<u>1,180,281</u>	<u>1,065,834</u>
Operating Expenses		
Salaries, wages, and benefits	523,788	504,750
Outside services	203,562	202,708
Medical supplies	297,241	272,459
Other supplies and expenses	54,148	54,648
Depreciation and amortization	61,284	58,592
Interest	11,658	9,914
Total operating expenses	<u>1,151,681</u>	<u>1,103,071</u>
Operating Income (Loss)	<u>28,600</u>	<u>(37,237)</u>
Nonoperating Gains (Losses)		
Investment gain	54,051	38,708
Other	(1,273)	(520)
Total nonoperating gains (losses)	<u>52,778</u>	<u>38,188</u>
Revenues in Excess of Expenses from Continuing Operations	81,378	951
Discontinued Operations (Note 2)	<u>(2,060)</u>	<u>(1,900)</u>
Revenues in Excess of (Less than) Expenses	79,318	(949)
Other Changes in Net Assets Without Donor Restrictions		
Adjustment to the funded status and other changes in pension plan	2,791	(395)
Other changes	(783)	3,811
Change in net assets without donor restrictions	<u>81,326</u>	<u>2,467</u>
Change in Net Assets With Donor Restrictions		
Contributions	4,765	2,414
Investment gains	2,421	1,635
Other changes	158	(2)
Net assets released from restrictions	(2,562)	(9,527)
Change in net assets with donor restrictions	<u>4,782</u>	<u>(5,480)</u>
Change in Net Assets	86,108	(3,013)
Net Assets at Beginning of Year	<u>902,237</u>	<u>905,250</u>
Net Assets at End of Year	<u><u>\$ 988,345</u></u>	<u><u>\$ 902,237</u></u>

Monument Health, Inc.
Consolidated Statements of Cash Flows
Years Ended June 30, 2024 and 2023
(Amounts in Thousands)

	<u>2024</u>	<u>2023</u>
Operating Activities		
Change in net assets	\$ 86,108	\$ (3,013)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Adjustment to the funded status and other changes in pension plan	(2,791)	395
Interest expense attributable to amortization of debt issuance costs	241	55
Depreciation and amortization	61,284	59,154
Restricted contributions and investment gains	(7,186)	(4,049)
Amortization of bond premium	(2,645)	(2,818)
Net realized gain on investments	(21,198)	(11,220)
Unrealized gain on investments	(25,082)	(22,009)
Distributions from affiliated organizations	2,731	3,278
Changes in assets and liabilities		
Patient accounts receivable	(23,799)	14,882
Inventory and other	(2,724)	(615)
Estimated payables to third-party payors	(732)	(408)
Other long-term assets	(1,610)	(3,947)
Accounts payable	(3,753)	4,654
Medicare advances	-	(19,240)
Accrued expenses	11,045	(9,265)
Other long-term liabilities	(8,721)	-
Net Cash Provided by Operating Activities	61,168	5,834
Investing Activities		
Purchase of property and equipment, net	(34,400)	(74,238)
Proceeds from sales and maturities of investments	397,522	663,812
Purchases of investments	(409,074)	(642,013)
Net Cash Used in Investing Activities	(45,952)	(52,439)

Monument Health, Inc.
Consolidated Statements of Cash Flows
Years Ended June 30, 2024 and 2023
(Amounts in Thousands)

	<u>2024</u>	<u>2023</u>
Financing Activities		
Scheduled principal payments on long-term debt	\$ (5,835)	\$ (5,550)
Restricted contributions and investment gains	7,186	4,049
Other	-	1,702
	<u>1,351</u>	<u>201</u>
Net Cash Provided by (Used in) Financing Activities		
	16,567	(46,404)
Net Change in Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents		
Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents, Beginning of Year	<u>68,651</u>	<u>115,055</u>
Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents, End of Year	<u>\$ 85,218</u>	<u>\$ 68,651</u>
Supplemental Disclosure of Noncash Investing Activities		
Property and equipment purchases included in accounts payable	\$ 2,186	\$ 2,361
Contributions to affiliated organizations	2,520	-
Reconciliation of Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents		
Cash and cash equivalents	\$ 52,693	\$ 31,311
Cash included in current assets limited as to use	10,228	30,894
Cash included in noncurrent assets limited as to use	<u>22,297</u>	<u>6,446</u>
	<u>\$ 85,218</u>	<u>\$ 68,651</u>

Note 1 - Organization

Monument Health, Inc. (Monument Health) was formed in 2003 to establish policy and perform planning on behalf of the members of the Monument Health Obligated Group (Obligated Group) and Non-Obligated Group. The Obligated Group consists of Monument Health, Inc., Monument Health Rapid City Hospital, Inc., Monument Health Network, Inc., and Monument Health Physicians, Inc. Each member of the Obligated Group is a tax-exempt organization.

Monument Health Rapid City Hospital, Inc. (Hospital) provides a wide variety of acute and tertiary care services on its main campus and through its adjacent John T. Vucurevich Cancer Care Institute. The Hospital also provides patient care at the Behavioral Health Center, Orthopedic and Specialty Hospital, Family Medicine Residency Clinic, Heart and Vascular Institute, Hospice House, Rehabilitation Institute, Medical Clinics and Urgent Care locations. The Hospital employs physicians through its residency, cardiology, cardiovascular surgery, medical oncology, psychiatry, neurology, hospitalist, orthopedics and other programs.

Monument Health Network, Inc. (Health Network) owns and leases acute care hospitals, nursing homes, clinics, and assisted living facilities in Rapid City, South Dakota, throughout western South Dakota, and throughout eastern Wyoming.

The Health Network owns the following facilities:

Monument Health Custer Hospital is an acute care hospital in Custer, South Dakota. Monument Health Custer Hospital is designated and certified as a critical access hospital.

Monument Health Lead-Deadwood Hospital is an acute care hospital located in Deadwood, South Dakota which is designated and certified as a critical access hospital.

Monument Health Spearfish Hospital is an acute care hospital in Spearfish, South Dakota. Monument Health Spearfish Hospital is designated and certified as a prospective payment system hospital.

Monument Health Sturgis Hospital/ Monument Health Care Center - Sturgis is an acute care hospital and a long-term care facility in Sturgis, South Dakota. Monument Health Sturgis Hospital is designated and certified as a critical access hospital.

The Health Network owns, leases and operates physician clinics in the South Dakota communities of Belle Fourche, Buffalo, Custer, Hill City, Hot Springs, Lead-Deadwood, Spearfish, and Sturgis.

Monument Health Physicians, Inc. provides staffing services for Physicians and Advanced Practice Providers and administrative services to related Monument Health facilities.

Monument Health Home Plus, LLC is a non-obligated group subsidiary of the Hospital. Monument Health Home Plus, LLC provides home care, hospice, pharmacy, and durable medical equipment services to the communities Monument Health serves.

The consolidated financial statements include the accounts and transactions of Monument Health and its controlled subsidiaries. Significant intercompany accounts and transactions have been eliminated.

Note 2 - Summary of Significant Accounting Policies

Income Taxes

Monument Health and its consolidated subsidiaries are organized as nonprofit corporations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Monument Health Home Plus, LLC is considered a disregarded entity for tax purposes. These organizations are annually required to file a Return of Organization Exempt from Income Tax (Form 990) or Return of Private Foundation (Form 990-PF) with the IRS. In addition, Hospital and Health Network file Exempt Organization Business Income Tax Returns (Form 990T) with the IRS to report income that is derived from business activities that are unrelated to its exempt purpose (Form 990T).

Monument Health believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements. Monument Health would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include certain highly liquid investments with a maturity of three months or less when purchased, excluding amounts whose use is limited or restricted.

Monument Health maintains its cash in bank deposit accounts which exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250 per depositor, per insured bank, for each account ownership category. At June 30, 2024 and 2023, Monument Health had approximately \$58,074 and \$24,361, respectively, in excess of FDIC-insured limits.

Patient Accounts Receivable

Patient receivables are uncollateralized patient and third-party payor obligations. Payments of patient receivables are allocated to the specific claims identified in the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

In evaluating the collectability of accounts receivable, Monument Health also records credit losses for patient and other accounts receivable based on the current expected credit losses. Credit losses are recorded after consideration of any implicit or explicit price concessions. Management believes that the historical loss information it has compiled is a reasonable basis on which to determine expected credit losses at June 30, 2024 and 2023 because the composition of the patient and other receivables at those dates are consistent with that used in developing the historical credit loss percentages. Additionally, Monument Health has determined that current and reasonable forecasted economic conditions are consistent with the economic conditions included in the historical information. There were no material credit losses and related allowance at June 30, 2024 and 2023.

Monument Health has elected to not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to Monument Health's expectation that the period between the time the service is provided to a patient and the time that the patient or third-party payor pays for that service will be one year or less. However, Monument Health does, in certain instances, enter into payment arrangements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract. Monument Health's opening balance of patient accounts receivable on July 1, 2022 was \$159,574.

Inventory

Inventory is stated at the lower of cost, defined as average cost for pharmaceutical inventory and the first-in, first-out method for medical supplies, or net realizable value.

Assets Limited as to Use

Assets limited as to use primarily include investments held by trustees under indenture agreements, deferred compensation, investments designated by the Board of Directors for future capital improvements, over which the Board retains control, and by donors for specific purposes. Amounts required to meet current liabilities and construction project funds have been classified as current assets limited as to use in the consolidated balance sheets at June 30, 2024 and 2023. Cash and cash equivalents included in assets limited as to use are considered by Monument Health to be restricted or board designated for purposes of the consolidated balance sheet presentation and are included within cash, cash equivalents, restricted cash and restricted cash equivalents on the consolidated statement of cash flows. All investments are classified as trading, therefore, all realized and unrealized gains and losses, as well as interest and dividends, are recognized in revenue in excess of expenses as nonoperating gains (losses).

Investments in equity securities with readily determinable fair values are measured at fair value in the balance sheets. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in revenues in excess of expenses as nonoperating gains or losses. Investments in equity securities without readily determinable fair values are measured at cost minus impairment (if any) and adjusted for any observable price changes in orderly transactions of identical securities or similar securities of the same issuer. Investments in equity securities without readily determinable fair values are considered annually for indicators of impairment. There were no impairment indicators for the years ended June 30, 2024 and 2023.

Investments in Affiliated Organizations

Investments in organizations in which Monument Health has the ability to exercise significant influence over operating and financial policies but does not have control are recorded under the equity method of accounting. Under the equity method, the initial investment is recorded at cost and adjusted annually to recognize Monument Health's share of earnings and losses of those organizations, net of any additional investments or distributions. Monument Health's share of net earnings or losses of the organizations is included in other operating revenue. See also Note 7.

Fair Value Measurements

Certain assets and liabilities are reported at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that Monument Health can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, Monument Health develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to Monument Health's assessment of the quality, risk or liquidity profile of the asset or liability.

Monument Health has portions of its holdings in private equity/venture capital or other similar funds. These investments have fair values that are determined using the net asset value (NAV) provided by the investment manager. NAV is a practical expedient to determine the fair value of investments that do not have readily determinable fair values and which prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company.

Donated Assets

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

Property and Equipment

Property and equipment acquisitions in excess of \$5 are capitalized and are stated at cost, if purchased, or at fair market value at the date of donation, if donated. Depreciation, including depreciation of property and equipment subject to finance leases, is provided using the straight-line method over the estimated useful lives of the respective assets. The following useful lives are used in computing depreciation:

Land improvements	5 - 25 years
Buildings	10 - 40 years
Building additions and improvements	5 - 40 years
Fixed equipment	5 - 20 years
Movable equipment and internal use software	3 - 15 years

Interest cost incurred on funds used during the construction of capital assets is capitalized as a component of the cost of acquiring those assets.

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

Monument Health considers whether indicators of impairment are present and performs the necessary analysis to determine if the carrying values of assets are appropriate. There were no material impairments recognized for the years ended June 30, 2024 or 2023.

Goodwill and Intangibles

Goodwill represents the excess of cost over the fair value of the net assets acquired through the acquisitions of various businesses. On an annual basis and at interim periods when circumstances require, Monument Health tests the recoverability of its goodwill. Monument Health recognizes an impairment charge for the amount by which the carrying amount of goodwill exceeds its fair value. There were no impairment losses recognized during the years ended June 30, 2024 and 2023. Other intangibles are amortized over their economic or contractual life. Monument Health acquired other intangibles of \$-0- and \$1,591 during the years ended June 30, 2024 and 2023, respectively.

Self-Insurance Reserves

Monument Health administers a self-insured employee health benefit plan for employees. The plan allows employees and their dependents to receive medical care at Monument Health facilities, and other health care providers.

Monument Health provides for self-insurance reserves for estimated incurred but not reported claims for its employee health plan and workers' compensation insurance programs. These reserves, which are included in current liabilities on the balance sheets, are estimated based upon historical payment data, cost trends, utilization history, and other relevant factors. Adjustments to reserves are reflected in the operating results in the period in which the change in estimate is identified.

Performance Indicator

The consolidated statements of operations and changes in net assets include revenues in excess of (less than) expenses, which is the performance indicator. Changes in net assets without donor restrictions, which are excluded from revenues in excess of (less than) expenses, include changes to the funded status and other changes in pension liability, and other changes in net assets without donor restrictions (primarily capital gifts and net assets released from restrictions for capital).

Net Assets with Donor Restrictions

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Donor-Restricted Gifts

Monument Health reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of changes in net assets as net assets released from restrictions.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

Discontinued Operations

During the year ended June 30, 2024, Monument Health ceased operations of a rehabilitation facility and made the decision to discontinue certain outpatient dialysis services. For the year ended June 30, 2024, total operating revenue for the entities were \$10,916, total operating expenses were \$12,976, and the loss from discontinued operations in the consolidated statement of operations and changes in net assets totaled \$2,060. For the year ended June 30, 2023, total operating revenue for these entities were \$11,501, total operating expenses were \$13,401, and the income from discontinued operations in the consolidated statement of operations and changes in net assets totaled \$1,900. The 2023 consolidated statement of operations and changes in net assets has been restated for the effect of the discontinued outpatient dialysis services. Approximately \$5,216 of assets are held for sale as of June 30, 2024 related to these discontinued operations, consisting primarily of assets reported in property and equipment on the consolidated balance sheets. These discontinued operations did not have material liabilities within the consolidated balance sheets, or material cash flow activity within the consolidated statements of cash flows for the years ended June 30, 2024 and 2023.

Noncontrolling Interest

The changes in consolidated net assets without donor restrictions attributable to Monument Health's controlling interest and noncontrolling interests for the years ended June 30, 2024 and 2023 are as follows:

	Controlling	Noncontrolling	Total
June 30, 2022	\$ 877,941	\$ 115	\$ 878,056
Revenues (less than) in excess of expenses	(1,146)	197	(949)
Distributions to noncontrolling interests	-	(197)	(197)
Adjustment to the funded status of the pension plan	(395)	-	(395)
Other changes in net assets without donor restrictions	4,008	-	4,008
June 30, 2023	880,408	115	880,523
Revenues in excess of expenses	79,103	215	79,318
Distributions to noncontrolling interests	-	(215)	(215)
Adjustment to the funded status of the pension plan	2,791	-	2,791
Other changes in net assets without donor restrictions	(568)	-	(568)
June 30, 2024	\$ 961,734	\$ 115	\$ 961,849

Patient Service Revenue

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

Performance obligations are determined based on the nature of the services provided by Monument Health. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. Monument Health believes that this method provides a reasonable recognition of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in a hospital receiving inpatient acute services. Monument Health measures the performance obligation (associated with inpatient acute services) from admission into the hospitals to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided and Monument Health does not believe it is required to provide additional goods or services to the patient. All of Monument Health's operating revenues are recognized over time, with the exception of retail pharmacy, cafeteria, and certain other revenue recognized at a point in time. Revenue recognized at a point in time was approximately \$27,575 and \$32,157 for the years ended June 30, 2024 and 2023, respectively.

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

Monument Health determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors (explicit price concessions), discounts provided to uninsured patients in accordance with Monument Health's policy (explicit price concessions), and/or implicit price concessions provided to uninsured patients. Monument Health determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies and historical experience. Monument Health determines its estimate of implicit price concessions based on its historical collection experience with this class of patients. The ability to estimate the collectability of uninsured and other self-pay patients is contingent on the patient's ability or willingness to pay for the services provided. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as a credit loss. Credit losses for 2024 and 2023 were not significant.

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and Monument Health's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews and investigations. Estimated payables to third-party payors were \$15,354 at July 1, 2022.

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

Monument Health provides health care services to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Since Monument Health does not pursue collection of these amounts, they are not reported as patient service revenue. The estimated cost of providing these services was \$8,669 and \$10,304 for the years ended June 30, 2024 and 2023, calculated by multiplying the ratio of cost to gross charges for Monument Health by the gross uncompensated charges associated with providing charity care to its patients.

Other Revenues

Other revenues include contract pharmacy revenue, food and nutrition services revenue, donation revenue for operating purposes, rental revenues, and other non-patient revenues.

Deferred revenues of \$823, \$845, and \$1,454 were recorded within accrued expenses – other at June 30, 2024, June 30, 2023, and July 1, 2022, respectively.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in Note 15, which presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, such as depreciation, interest, occupancy, and other costs, are allocated to a function based on a square-footage or units-of-service basis. Allocated healthcare service costs not allocated on a units-of-service basis are otherwise allocated based on revenue.

Advertising Costs

Monument Health expenses advertising costs as they are incurred. During the years ended June 30, 2024 and 2023, advertising expenses were \$1,257 and \$1,320, respectively.

Adoption of New Accounting Standard

As of July 1, 2023, Monument Health adopted Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13), which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost, including trade and loan receivables, and held to maturity debt securities. CECL requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The update also requires that credit losses on available-for-sale debt securities be presented as an allowance rather than a write-down of the security. This standard provides financial statement users with more decision-useful information about the expected losses on financial instruments.

Monument Health adopted ASU 2016-13 using the modified retrospective review method for all financial assets measured at amortized cost. Results for reporting periods beginning after July 1, 2023, are presented under Topic 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The adoption of the new standard did not materially impact Monument Health's consolidated balance sheets, statements of operations, statements of changes in net assets, or statements of cash flows.

Subsequent Events

Monument Health has evaluated subsequent events through October 22, 2024, the date the consolidated financial statements were issued.

Note 3 - Patient Service Revenue

Monument Health has agreements with third-party payors that provide for payments to Monument Health at amounts different from established charges.

Inpatient acute care services rendered to Medicare program beneficiaries are paid primarily at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The Medicare program pays for most outpatient services at predetermined rates under a prospective payment system. Monument Health is reimbursed for other cost-reimbursable items at a tentative rate with the final settlement determined after submission of annual cost reports by Monument Health and audits thereof by the Medicare Administrative Contractor. Medicare cost reports have been audited and finalized by the Medicare Administrative Contractor through June 30, 2020.

Payments for Medicaid inpatients are based upon three methods (DRG rates, cost, and per diem). Clinical and outpatient services rendered to Medicaid program beneficiaries are reimbursed under prospectively determined amounts per service or under a cost-based reimbursement methodology depending on the applicable program. Hospital outpatient reimbursement rates are prospective rates adjusted annually by appropriations from the State Legislature with no final settlement process. Some other hospital services such as lab and home health are paid on prospective rates.

Monument Health also has entered into reimbursement agreements with certain commercial insurance carriers, health maintenance organizations, preferred provider organizations, and the Indian Health Service. The basis for payment under these agreements includes prospectively determined rates per discharge, discounts from established charges, prospectively determined per diem rates, and fee schedules for certain outpatient services.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Patient service revenue for the years ended June 30, 2024 and 2023 increased \$244 and \$1,062, respectively, due to removal of allowances previously estimated that are no longer necessary as a result of final settlements and years that are no longer likely subject to audits, reviews, and investigations and changes in estimated settlements. Monument Health's opening balance of estimated payables to third-party payors on July 1, 2022 was \$15,354.

In addition, the IRS has established standards to be met to maintain Monument Health's tax-exempt status. In general, such standards require Monument Health to meet a community benefits standard and comply with the laws and regulations governing the Medicare and Medicaid programs.

Monument Health believes that it is in compliance with all applicable laws and regulations related to billing practices and other compliance requirements and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. Monument Health also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. Monument Health estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts and implicit price concessions based on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. The ability to estimate the collectability of uninsured and other self-pay patients is contingent on the patient's ability or willingness to pay for the services provided. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as credit losses. Credit losses for the years ended June 30, 2024 and 2023 were not significant.

The composition of patient service revenue by payor for the years ended June 30, 2024 and 2023 is as follows:

	2024	2023
Medicare	41%	40%
Medicaid	9%	6%
Blue Cross	22%	21%
Commercial	20%	24%
Self-pay and other	8%	9%
	<u>100%</u>	<u>100%</u>
Total all payors	<u>100%</u>	<u>100%</u>

The Medicare advances contract liability balance consists of unpaid advanced payments received from the Centers for Medicare & Medicaid Services (CMS), in order to increase cash flow for Medicare Part A and B providers who were impacted by the COVID-19 pandemic. Monument Health received \$93,220 in advanced payments during the year ended June 30, 2020. Recoupment of the \$93,220 received under this program began in April 2021, one year after Monument Health received the advanced payments. Recoupment of all Medicare advance payments was completed during the year ended June 30, 2023. Monument Health's opening balance of Medicare advances on July 1, 2022 was \$19,240.

Note 4 - Property and Equipment

A summary of property and equipment as of June 30 is as follows:

	2024	2023
Land and improvements	\$ 34,348	\$ 34,036
Buildings and fixed equipment	708,366	653,529
Movable equipment and internal use software	360,335	337,447
	1,103,049	1,025,012
Less accumulated depreciation and amortization	(554,367)	(493,991)
	548,682	531,021
Construction in process	10,438	55,158
	<u>\$ 559,120</u>	<u>\$ 586,179</u>

Construction in process as of June 30, 2024, consists of various building and equipment projects. As of June 30, 2024, the estimated cost to complete the projects was approximately \$91,000 and the unpaid firm contract commitments were approximately \$75,000.

Note 5 - Liquidity and Availability

Financial assets available for general expenditure within one year of the balance sheet date are comprised of the following as of June 30:

	2024	2023
Cash and cash equivalents	\$ 52,693	\$ 31,311
Funds held under bond indenture agreements for debt service	10,228	9,944
Patient receivables	168,491	144,692
Other receivables	15,277	17,510
	<u>\$ 246,689</u>	<u>\$ 203,457</u>

Assets limited as to use that are considered available for general expenditure consist of deposits held by a trustee that will be used for principal and interest payments within one year of the balance sheet date. Additionally, Monument Health has assets limited as to use classified as long-term which are primarily supported by liquid financial assets which can be used for general expenditure but for which Monument Health does not plan on using for general expenditures within one year of the balance sheet date. These long-term assets limited as to use are classified as long-term based on restrictions by donors, designations by the Board of Directors for future uses, or other agreements and could be made available, if needed. As part of a liquidity management plan, cash in excess of daily requirements is invested in short-term investments.

Note 6 - Assets Limited as to Use

Assets limited as to use as of June 30 are as follows:

	2024	2023
Funds held under bond indenture agreements for debt service	\$ 10,228	\$ 9,944
Restricted bond funds - bond projects	-	20,950
Total assets limited as to use classified as current	10,228	30,894
Funds held under deferred compensation plan	22,867	19,246
Designated by Board for operating reserves	570,475	502,215
Restricted by donor for specific purposes	28,252	26,450
Total assets limited as to use classified as long-term	621,594	547,911
	<u>\$ 631,822</u>	<u>\$ 578,805</u>

Assets limited as to use consisted of the following as of June 30:

	2024	2023
Cash and cash equivalents	\$ 32,525	\$ 37,340
Equity securities and funds - domestic	173,746	163,468
Equity securities and funds - international	129,467	108,540
Fixed income - bond and corporate funds - domestic	145,338	117,830
Fixed income - bond and corporate funds - international	2,641	-
US government securities	7,092	4,320
Mortgage backed securities	287	286
Hedge funds	30,303	51,060
Real estate funds	3,648	5,035
Private equity, debt and other funds	106,775	90,926
	<u>\$ 631,822</u>	<u>\$ 578,805</u>

Investment gain included in revenues in excess of expenses for the years ended June 30 are as follows:

	2024	2023
Interest income and dividends	\$ 7,771	\$ 5,479
Net realized gains	21,198	11,220
Net change in unrealized gains (losses)	25,082	22,009
	<u>\$ 54,051</u>	<u>\$ 38,708</u>

Monument Health's investments are exposed to various kinds and levels of risk. Common stocks, mutual funds, hedge funds, and real estate investments expose Monument Health to market risk, performance risk, and liquidity risk. Market risk is the risk associated with major movements of the equity markets. Performance risk is risk associated with a company's operating performance. Fixed income securities expose Monument Health to interest rate risk, credit risk, and liquidity risk. As interest rates change, the value of many fixed income securities is affected, including those with fixed interest rates. Credit risk is the risk that the obligor of the security will not fulfill its obligations. Liquidity risk is affected by the willingness of market participants to buy and sell given securities. Liquidity risk tends to be higher for equities, hedge funds and real estate investments related to small capitalization companies. Monument Health's investments are generally liquid within 30 days, with the exception of the hedge funds, real estate funds, and private equity and debt funds.

Due to the volatility of the stock market, there is a reasonable possibility of changes in fair value and additional gains and losses in the near term.

Note 7 - Investments in Affiliated Organizations

As of June 30, 2024 and 2023, Monument Health held investments in various healthcare ventures recorded on the equity method with ownership ranging from 2% to 50%. Monument Health's share of the net gain on these investments, totaling \$3,973 in 2024 and \$2,146 in 2023, is included in other operating revenue. Monument Health received distributions of \$2,612 and \$3,278 from these investments in 2024 and 2023, respectively.

Summary financial statement information for the equity method investments is as follows:

	2024	2023
Assets	\$ 39,522	\$ 6,866
Liabilities	\$ 27,302	\$ 1,444
Equity	12,219	5,422
Total liabilities and equity	<u>\$ 39,521</u>	<u>\$ 6,866</u>
Operations		
Revenues	\$ 31,716	\$ 24,490
Expenses	27,476	18,434
Net gain	<u>\$ 4,240</u>	<u>\$ 6,056</u>

Monument Health recorded revenue of \$6,226 and \$6,214 related to transactions with their equity method investments for the years ended June 30, 2024 and 2023, respectively. Monument Health entered into a leasing arrangement with an equity method investee during the year ended June 30, 2024 of which there is lease revenue of approximately \$994. See Note 12 for disclosures of Monument Health's leasing arrangements.

A variable interest entity (VIE) is an entity that either (1) has insufficient equity to permit the entity to finance its activities without additional subordinated financial support or (2) has equity investors who lack the characteristics of a controlling financial interest. A VIE is consolidated by its primary beneficiary. The primary beneficiary has both the power to direct the activities that most significantly impact the entity's economic performance and the obligation to absorb losses or the right to receive benefits from the entity that could potentially be significant to the VIE. If it is determined that an Organization has operating power and the obligation to absorb losses or receive benefits, then the VIE is consolidated as the primary beneficiary, and if not, it does not consolidate. Assets recognized as a result of consolidating VIEs do not necessarily represent additional assets that could be used to satisfy claims against the Company's general assets. Conversely, liabilities recognized as a result of consolidating a VIE do not necessarily represent additional claims on the Company's general assets; rather, they represent claims against the specific assets of the consolidated VIE.

At June 30, 2024, Monument Health has a variable interest in an entity established for specialty health care services (the entity), as a result of Monument Health's guarantee of a portion of the entity's debts and a leasing arrangement between the companies, however, Monument Health is not considered to be the primary beneficiary of the entity. As a result, Monument Health records its interest in this entity as an equity method investment. At June 30, 2024, the balance of Monument Health's investment in the entity was \$773. For the year ended June 30, 2024, the entity had total assets of approximately \$27,406, total liabilities of approximately \$25,841, and revenue of approximately \$2,531. Monument Health's maximum exposure to loss as of June 30, 2024, with respect to its relationship with this entity is \$7,049, the amount of the debt guarantee provided. The debts are secured by the underlying financed assets.

Note 8 - Long-Term Debt

Long-term debt consists of the following as of June 30:

	2024	2023
3.25% to 5.0% South Dakota Health and Educational Facilities Authority revenue bonds, Series 2017, with payments beginning September 1, 2018 in varying amounts maturing through September 1, 2040 (effective interest rate, including premium, of 2.83%).	\$ 189,826	\$ 192,505
3.0% to 5.0% South Dakota Health and Educational Facilities Authority revenue bonds, Series 2020A (Series 2020A revenue bonds), with payments beginning September 1, 2021 in varying amounts maturing through September 1, 2050 (effective interest rate, including premium, of 2.15%).	122,265	125,420
3.835% South Dakota Health and Educational Facilities Authority taxable revenue bonds, Series 2020B (Series 2020B revenue bonds), with payments beginning September 1, 2021 in varying amounts maturing through September 1, 2043 (effective interest rate of 3.89%).	26,285	26,285
Unamortized debt issuance costs	(2,107)	(2,357)
Unamortized bond premium	19,275	21,930
	<u>355,544</u>	<u>363,783</u>
Current maturities	<u>(6,135)</u>	<u>(5,835)</u>
	<u>\$ 349,409</u>	<u>\$ 357,948</u>

Unamortized debt issuance costs and premiums are deferred and amortized using the effective interest method over the term of the related indebtedness. Amortization of debt issuance costs is included in interest expense in the consolidated financial statements.

During the year ended June 30, 2018, the Monument Health Obligated Group issued \$212,180, at par, Series 2017 revenue bonds under a Master Trust Indenture (MTI) dated September 1, 2017. During the year ended June 30, 2021, the Monument Health Obligated Group issued \$127,620, at par, Series 2020A revenue bonds and \$26,285, at par, Series 2020B revenue bonds under the MTI. Under the MTI, the bonds are secured by funds held under a bond indenture agreement and a security interest in the Obligated Group's unrestricted receivables. The bond agreements include, among other things, restrictions relating to debt service coverage, days cash on hand, further indebtedness, corporate mergers, and transactions with affiliates.

The aggregate amount of principal payments required by year for the above debt obligations as of June 30, 2024, is as follows:

Years Ending June 30,	Amount
2025	\$ 6,135
2026	6,445
2027	6,780
2028	7,130
2029	10,595
Thereafter	301,291
	<u>338,376</u>
Less unamortized debt issuance costs	(2,107)
Plus unamortized bond premium	<u>19,275</u>
	<u><u>\$ 355,544</u></u>

For the years ended June 30, 2024 and 2023, Monument Health paid interest of \$14,145 and \$13,910, net of capitalized interest of \$576 and \$1,096, respectively.

Note 9 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at June 30:

	2024	2023
Subject to expenditure for a specified purpose		
Healthcare services	\$ 19,671	\$ 14,635
Hospice	4,062	4,761
Scholarships for healthcare students	495	456
Other	412	-
	<u>24,640</u>	<u>19,852</u>
Net assets to be held in perpetuity, the income from which is expendable to support various health care services	<u>1,856</u>	<u>1,862</u>
	<u><u>\$ 26,496</u></u>	<u><u>\$ 21,714</u></u>

During the years ended June 30, 2024 and 2023, net assets released from donor restrictions for capital purposes were \$0- and \$4,291, respectively, and are included within other changes in net assets without donor restrictions in the consolidated statements of operations and changes in net assets. During the years ended June 30, 2024 and 2023, net assets released from restrictions to support operations were \$2,562 and \$5,236, respectively, and are included within other operating revenue in the consolidated statements of operations and changes in net assets.

Note 10 - Fair Value Measurements

The following table presents the financial instruments carried at fair value on a recurring basis as of June 30, 2024, by the fair value hierarchy defined below:

	2024				
	Level 1	Level 2	Level 3	NAV	Total
Assets					
Investments limited as to use					
Cash and cash equivalents (at cost)	\$ -	\$ -	\$ -	\$ -	\$ 32,525
Equity securities and funds - domestic	54,032	51,397	-	68,317	173,746
Equity securities and funds - international	-	43,924	-	85,543	129,467
Fixed income - bond & corporate funds - domestic	38,532	106,806	-	-	145,338
Fixed income - bond & corporate funds - international	-	2,641	-	-	2,641
US government securities	6,025	1,067	-	-	7,092
Mortgage backed securities	-	287	-	-	287
Absolute return assets - hedge funds	-	-	-	30,303	30,303
Real estate funds	-	-	-	3,648	3,648
Private equity, debt and other funds	-	-	-	106,775	106,775
	<u>\$ 98,589</u>	<u>\$ 206,122</u>	<u>\$ -</u>	<u>\$ 294,586</u>	<u>\$ 631,822</u>

The following table presents the financial instruments carried at fair value on a recurring basis as of June 30, 2023, by the fair value hierarchy defined below:

	2023				
	Level 1	Level 2	Level 3	NAV	Total
Assets					
Investments limited as to use					
Cash and cash equivalents (at cost)	\$ -	\$ -	\$ -	\$ -	\$ 37,340
Equity securities and funds - domestic	50,631	62,333	-	50,504	163,468
Equity securities and funds - international	-	21,716	-	86,824	108,540
Fixed income - bond & corporate funds - domestic	36,070	81,760	-	-	117,830
US government securities	3,129	1,191	-	-	4,320
Mortgage backed securities	-	286	-	-	286
Absolute return assets - hedge funds	-	-	-	51,060	51,060
Real estate funds	-	-	-	5,035	5,035
Private equity, debt and other funds	-	-	-	90,926	90,926
	<u>\$ 89,830</u>	<u>\$ 167,286</u>	<u>\$ -</u>	<u>\$ 284,349</u>	<u>\$ 578,805</u>

Fair value for Level 1 assets is based upon quoted market prices. Fair value for Level 2 assets is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources, including market participants, dealers and brokers.

Fair value for Level 2 liabilities is based primarily on a discounted cash flow method based on forward interest rates. The valuations also reflect a credit spread adjustment to the LIBOR discount curve in order to reflect the credit value adjustment for “nonperformance” risk. The credit spread adjustment is derived from other comparably rated entities’ bonds priced in the market.

Monument Health utilizes the monthly statements as their source for valuing investments which have a daily or monthly net asset value (NAV) for financial statement purposes, which are obtained directly from the fund or the custodian. Utilizing this information would therefore represent Monument Health’s approved policies and procedures used to value these assets for financial reporting purposes.

The method 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 Monument Health 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.

The following is a table identifying attributes related to investments that report fair value using a calculated NAV or its equivalent as of June 30, 2024.

	2024			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
NAV				
Equity securities and funds - domestic	\$ 68,317	\$ -	Monthly	1 week
Equity securities and funds - international	85,543	-	Weekly-Monthly	4-30 days
Absolute return assets - hedge funds	30,303	-	Quarterly	70 days
Private equity, debt and other	58,817	-	Monthly-Quarterly	1-4 weeks
Private equity, debt and other	24,248	-	Daily	3 days
Real estate funds	3,648	4,289	(a)	(a)
Private equity, debt and other	23,710	5,489	(a)	(a)
Total NAV	<u>\$ 294,586</u>	<u>\$ 9,778</u>		

- (a) Redemptions from such funds to Monument Health are at the discretion of the general partners of each fund. Unfunded commitments are contractual obligations for future contributions by Monument Health to the fund.

The following is a table identifying attributes related to investments that report fair value using a calculated NAV or its equivalent as of June 30, 2023.

	2023			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
NAV				
Equity securities and funds - domestic	\$ 50,504	\$ -	Monthly	1 week
Equity securities and funds - international	86,824	-	Weekly-Monthly	4-30 days
Absolute return assets - hedge funds	51,060	-	Quarterly	70 days
Private equity, debt and other	64,590	-	Monthly-Quarterly	1-4 weeks
Real estate funds	5,035	4,289	(a)	(a)
Private equity, debt and other	26,336	5,811	(a)	(a)
Total NAV	<u>\$ 284,349</u>	<u>\$ 10,100</u>		

(a) Redemptions from such funds to Monument Health are at the discretion of the general partners of each fund. Unfunded commitments are contractual obligations for future contributions by Monument Health to the fund.

Equity Securities and Funds - Domestic: The funds are diversified by industry sector and have either daily or monthly liquidity. The investment strategies employed by the funds include both active and passive approaches, across large cap, mid-cap, and small cap stock funds.

Equity Securities and Funds - International: The funds include both active and passive approaches, across international developed and emerging market funds. The funds are diversified by industry sector and country.

Fixed Income Funds - Domestic: These investments include domestic fixed income funds and exchange traded notes which are designed to track the performance of Master Limited Partnership (MLP) indexes. The bond funds are diversified across government, mortgage, corporate, and municipal bond sectors, including investment grade and below investment grade (high yield) securities.

Hedge Funds: These funds include a diversified hedge fund of funds with various strategies including credit, equities, macro, multi-strategy, quantitative, and relative value.

Real Estate: These investments include pooled investment vehicles for private real estate investments. One fund invests in distressed debt and equity investments across commercial and residential property in the US and a small portion internationally. The second fund invests in distressed residential land and housing development projects in the United States, through real estate partnerships and developer financing. Both investments have limited liquidity and the timing of capital calls is controlled by the general partners of the funds.

Private Equity, Debt, and Other: These investments include private equity funds which invest in a diversified portfolio of secondary (previously issued) private equity funds or in a diversified portfolio of private equity and venture capital funds and private debt funds that primarily invest in direct senior loans to non-sponsored, privately held companies in the US and Canada. Such funds have limitations for redemptions during the life of the fund.

Note 11 - Pension Plan

Monument Health sponsors a non-contributory defined benefit plan that covered substantially all full-time employees hired on or before December 31, 2020. The plan is a “cash balance” plan with benefits based upon a percentage of annual salary and years of service. Monument Health’s policy is to fund annually at least the amount required by the applicable laws and regulations. Monument Health froze new benefit accruals under the pension plan during the year ended June 30, 2021.

The funded status of the defined benefit plan as of June 30 (measurement date) is as follows:

	2024	2023
Change in projected benefit obligation		
Benefit obligation at beginning of year	\$ 106,521	\$ 109,092
Interest cost	5,479	5,095
Actuarial gain	247	1,210
Benefits paid	(10,233)	(8,876)
Projected benefit obligation at end of year	<u>\$ 102,014</u>	<u>\$ 106,521</u>
Change in plan assets		
Fair value of plan assets at beginning of year	\$ 98,345	\$ 95,832
Actual gain on plan assets	7,246	5,389
Employer contributions	10,000	6,000
Benefits paid	(10,233)	(8,876)
Fair value of plan assets at end of year	<u>\$ 105,358</u>	<u>\$ 98,345</u>
Funded status of the plan (underfunded)	<u>\$ 3,344</u>	<u>\$ (8,176)</u>

As of June 30, 2024 and 2023, the accumulated benefit obligation was \$102,014 and \$106,521, respectively.

Components of net periodic benefit cost (benefit) for the years ended June 30 are as follows:

	2024	2023
Interest cost	\$ 5,479	\$ 5,095
Expected return on plan assets	(6,423)	(6,615)
Net amortization and deferral	354	306
Settlements	1,863	1,734
	<u>\$ 1,273</u>	<u>\$ 520</u>

During June 30, 2024 and 2023, Monument Health recognized additional benefit costs of \$1,863 and \$1,734, respectively, for previously unrecognized actuarial gains and losses as a result of significant settlement payments during the year.

Weighted average assumptions used to determine the benefit obligation and net periodic benefit cost as of and for the years ended June 30 were as follows:

	<u>2024</u>	<u>2023</u>
Weighted average discount rate at beginning of year (used to determine net periodic benefit cost)	5.50%	5.00%
Weighted average discount rate at end of year (used to determine benefit obligation)	5.50%	5.50%
Weighted average expected return on plan assets	6.50%	7.00%
Rate of increase in future compensation levels	N/A	N/A

The overall weighted average return on plan assets is determined by applying management's judgment to the results of portfolio modeling, historical trends, and benchmarking data. The above assumptions and related estimates are subject to periodic evaluation by management based upon market and economic conditions and may change in the future due to these factors.

Accumulated amounts previously not recognized in net periodic pension cost and included in other changes in net assets without donor restrictions at June 30, 2024 and 2023, are \$21,205 and \$23,996, respectively, which consist of unrecognized actuarial losses of \$21,205 and \$23,996. During the years ending June 30, 2024 and 2023, there were no changes to the plan benefit formula.

Actuarial losses are amortized as a component of net periodic pension cost, to the extent the losses exceed 10% of the greater of the projected benefit obligation or the market-related value of plan assets. Unrecognized prior service costs and net transition obligation are amortized on a straight-line basis and amortization of those amounts for the years ended June 30, 2024 and 2023 were \$0.

The plan maintains an investment policy, which covers responsibilities of the plan sponsor, investment managers, investment objectives, asset allocation targets and ranges, asset guidelines (including permissible and not permissible holdings), and manager review criteria. A committee of the Board periodically reviews and approves the investment policy and asset allocation of the pension plan. The plan sponsor is responsible for ensuring that the criteria stated within the policy are carried through. The plan sponsor's activities are supported by an independent investment consulting firm. All assets are invested with outside managers. The Finance and Investment Committee of the Board of Directors annually reviews asset allocation to determine if the current structure is appropriate and whether any changes are necessary.

The fair value of pension plan assets was determined using the fair value hierarchy, as defined in Note 2, and consists of the following at June 30, 2024:

	Level 1	Level 2	Level 3	NAV	Total
Bonds					
Corporate U.S.	\$ 3,069	\$ 17,768	\$ -	\$ 17,262	\$ 38,099
Government	2,459	-	-	-	2,459
Common stocks					
U.S. companies	1,002	15,916	-	-	16,918
International companies	-	4,825	-	22,491	27,316
Commingled equity funds	-	-	-	10,475	10,475
Absolute return assets					
- hedge funds	-	-	-	8,905	8,905
Money market	1,186	-	-	-	1,186
	<u>\$ 7,716</u>	<u>\$ 38,509</u>	<u>\$ -</u>	<u>\$ 59,133</u>	<u>\$ 105,358</u>

The fair value of pension plan assets was determined using the fair value hierarchy, as defined in Note 2, and consists of the following at June 30, 2023:

	Level 1	Level 2	Level 3	NAV	Total
Bonds					
Corporate foreign	\$ 6	\$ -	\$ -	\$ -	\$ 6
Corporate U.S.	3,744	-	-	14,941	18,685
Government	3,712	-	-	-	3,712
Common stocks					
U.S. companies	-	27,505	-	-	27,505
International companies	-	7,713	-	13,862	21,575
Commingled equity funds	-	-	-	16,252	16,252
Absolute return assets					
- hedge funds	-	-	-	10,267	10,267
Money market	343	-	-	-	343
	<u>\$ 7,805</u>	<u>\$ 35,218</u>	<u>\$ -</u>	<u>\$ 55,322</u>	<u>\$ 98,345</u>

Included within the pension plan assets are investments in certain entities that report fair value using a calculated NAV or its equivalent. The following is a table identifying attributes related to certain entities that report fair value using a calculated NAV or its equivalent as of June 30, 2024 and 2023:

		2024			
		Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
NAV					
Bonds - Corporate US	\$	17,262	\$ -	Monthly	1 week
Common stocks					
International companies		22,491	-	Monthly	1-30 days
Commingled equity funds		10,475	73	Discretionary	5-8 days
Absolute return assets					
- hedge funds		8,905	2,825	(a)	(a)
	\$	<u>59,133</u>	<u>\$ 2,898</u>		
		2023			
		Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
NAV					
Bonds - Corporate US	\$	14,941	\$ -	Monthly	1-30 days
Common stocks -					
international companies		13,862	-	Monthly	1-30 days
Commingled equity funds		16,252	73	Discretionary	5-8 days
Absolute return assets					
- hedge funds		10,267	3,104	(a)	(a)
	\$	<u>55,322</u>	<u>\$ 3,177</u>		

(a) Redemptions from such funds to Monument Health are at the discretion of the general partners of each fund. Unfunded commitments are contractual obligations for future contributions to the fund.

The current target allocation and actual asset allocation as of June 30 are as follows:

	Asset Allocation Target	Actual	
		2024	2023
Common stocks	60%	51.9%	66.4%
Absolute return assets	5%	8.5%	10.4%
Real estate	5%	-	-
Debt securities	30%	38.5%	22.8%
Cash and cash equivalents	0%	1.0%	0.3%
	<u>100%</u>	<u>100%</u>	<u>100%</u>

As of June 30, 2024 and 2023, Monument Health met its minimum pension contribution requirement. Monument Health estimates that it will contribute \$2,000 to the plan during the year ending June 30, 2025.

The following summary of benefits are expected to be paid:

Years Ending June 30,	Amount
2025	\$ 13,941
2026	6,561
2027	6,275
2028	5,868
2029	5,612
2030-2034	<u>30,604</u>
	<u>\$ 68,861</u>

Note 12 - Leases

Monument Health leases various facilities under non-cancelable operating leases that expire at various dates through 2031 and provide for renewal options ranging from one year to ten years. Monument Health includes any renewal options in the determination of lease liability and right-of-use assets when the options are reasonably certain to be exercised and records an operating lease liability and corresponding right-of-use asset on the consolidated balance sheets. Monument Health has elected the short-term lease exception to exclude leases with terms of 12-months or less from the measurement of lease liability and right-of-use assets (ROU).

Operating lease liabilities are calculated as the present value of the remaining lease payments, using the interest rate implicit in the contract when known or the incremental borrowing rate when the implicit rate is unknown. At June 30, 2024 the weighted-average discount rate and remaining lease term were 5.00% and 4.49 years, respectively. At June 30, 2023 the weighted-average discount rate and remaining lease term were 3.07% and 4.39 years, respectively. Lease cost and cash paid on operating leases were approximately \$1,449 and \$1,805 for the years ended June 30, 2024 and 2023, respectively. In the consolidated balance sheets at June 30, 2024, current maturities of operating lease liabilities of \$1,053 are included in current liabilities – other, noncurrent operating lease liabilities of \$1,828 are included in other liabilities – other long-term liabilities, and ROU assets of \$2,881 are included in other long-term assets. In the consolidated balance sheets at June 30, 2023, current maturities of operating lease liabilities of \$1,292 are included in current liabilities – other, noncurrent operating lease liabilities of \$1,808 are included in other liabilities – other long-term liabilities, and ROU assets of \$3,100 are included in other long-term assets.

Future minimum lease payments for the non-cancelable operating leases with terms greater than one year are as follows at June 30, 2024:

Years Ending June 30,	Amount
2025	\$ 1,080
2026	678
2027	429
2028	219
2029	168
Thereafter	358
Total lease payments	2,932
Less interest	(51)
	<u>\$ 2,881</u>

Monument Health has also entered into agreements where it is the lessor of building space. Initial lease terms are up to 20 years with fixed lease payments ranging from \$30 to \$165 per month. Leased property subject to operating leases included buildings with net book values of \$34,293 and \$6,646 at June 30, 2024 and 2023, respectively. Depreciation expense for leased property subject to operating leases is provided on the straight-line method over the estimated useful life of the property in amounts necessary to reduce the assets to their estimated residual values. Depreciation expense relating to leased property subject to operating leases was \$1,385 and \$382 at June 30, 2024 and 2023, respectively. Lease income on operating leases was \$3,967 and \$3,225 at June 30, 2024 and 2023, and is included in other operating revenue in the consolidated statements of operations.

During the year ended June 30, 2024, Monument Health entered into a lease agreement to lease a healthcare facility to a variable interest entity (Note 7). The lease term extends through 2039, with provisions for renewal for additional terms thereafter. Annual fixed payments under the lease arrangement are approximately \$2,000, with a 1.5% rate increase effective at the beginning of each year.

The following is a maturity analysis of the annual undiscounted cash flows of the operating lease payments to be received over the next five years and thereafter as of June 30, 2024:

Years Ending June 30,	Amount
2025	\$ 3,619
2026	3,298
2027	3,298
2028	3,298
2029	3,298
Thereafter	27,128
	\$ 43,939

Note 13 - Commitments and Contingencies

Monument Health has maintained general and professional liability insurance coverage on a claims-made basis for the past several years. Monument Health maintains first dollar coverage with a commercial carrier for its employed physicians and certain advanced practice licensed personnel. For its facilities and other personnel, it self-insures the first layer of losses. Monument Health has maintained a self-insured retention of \$1,000 per occurrence with a \$4,000 annual aggregate. A second layer of retention also exists known as a “buffer layer” in the amount of \$1,500 per occurrence with a \$1,500 annual aggregate. This second layer of retention sits directly between the primary self-insured retentions of \$1,000/\$4,000 and the excess layers of insurance and must be satisfied prior to a claim reaching the excess layers. Claim dollars that are in excess of the primary \$1,000 per occurrence retention will go to satisfy the \$1,500 buffer. Also, claim dollars in excess of the primary \$4,000 annual aggregate retention will go to satisfy the \$1,500 buffer as well. A claim will pass into the excess layers once the primary retention is met (either on a per occurrence basis or an aggregate basis) and the “buffer layer” has been satisfied. Monument Health has accrued for exposure on claims that have been asserted as well as for incidents that have occurred for which claims may be made in the future, based on estimates provided by consulting actuaries. Monument Health maintains excess coverage with commercial carriers above its self-insured retention and its first dollar coverage policy for the previously stated personnel.

Monument Health is self-insured for workers’ compensation, with a \$750 retention per claim, subject to stop-loss and statutory limitations and provisions.

As of June 30, 2024 and 2023, Monument Health has accrued \$8,707 and \$8,038, respectively, for known and incurred but not reported claims relating to malpractice and workers’ compensation. In the opinion of management, the ultimate disposition of these claims will not have a material adverse effect on Monument Health’s consolidated financial statements.

Monument Health provides a guarantee of certain capital financing of a joint venture in which it invests (Note 7).

Note 14 - Provider Relief Funds and Other Stimulus Funds

Monument Health received and recognized as operating revenue Coronavirus Aid, Relief, and Economic Security (CARES) Act Provider Relief Funds administered by the Department of Health and Human Services (HHS) of \$50,938 in years prior to June 30, 2023. The funds are subject to terms and conditions imposed by HHS. The terms and conditions of this program are subject to interpretation, and the program is subject to oversight, monitoring, and audit. As such, there is a reasonable possibility of impacts to provider relief fund recognition in future periods.

During the year ended June 30, 2024, Monument Health received \$11,457 of funding administered by the Federal Emergency Management Agency (FEMA) for emergency protective measure costs of contract staffing and construction incurred by Monument Health during the COVID-19 Pandemic. Funding received was based on the actual costs incurred by Monument Health during the periods of performance, ranging from April 2020 through July 2022 and the federal and state cost share specified in the grant awards. As of June 30, 2024, Monument Health has recognized all of the grant dollars awarded from FEMA as Provider Relief and Other Revenue within the consolidated statement of operations and changes in net assets.

Note 15 - Functional Classification of Expenses

Monument Health provides general health care services to residents within its geographic location. Expenses by function related to providing these services for the years ended June 30, 2024, are as follows:

	Healthcare services	General and administrative	Fundraising	Total
Salaries and wages	\$ 443,578	\$ 85,234	\$ 623	\$ 529,435
Outside services	134,448	70,750	65	205,263
Medical supplies	300,376	447	-	300,823
Other supplies and expenses	26,137	29,127	363	55,627
Depreciation and amortization	50,958	10,862	31	61,851
Interest	11,644	14	-	11,658
	<u>\$ 967,141</u>	<u>\$ 196,434</u>	<u>\$ 1,082</u>	1,164,657
		Expense of discontinued operations		<u>(12,976)</u>
				<u>\$ 1,151,681</u>

The following schedule presents expenses by function as of June 30, 2023:

	Healthcare services	General and administrative	Fundraising	Total
Salaries and wages	\$ 424,370	\$ 87,470	\$ 602	\$ 512,442
Outside services	137,776	66,305	14	204,095
Medical supplies	274,289	361	-	274,650
Other supplies and expenses	27,506	28,373	307	56,186
Depreciation and amortization	51,239	7,924	22	59,185
Interest	9,914	-	-	9,914
	<u>\$ 925,094</u>	<u>\$ 190,433</u>	<u>\$ 945</u>	1,116,472
		Expense of discontinued operations		<u>(13,401)</u>
				<u>\$ 1,103,071</u>

Note 16 - Employee Benefit Plans

Monument Health maintains deferred compensation plans for the benefit of certain providers and members of management. Monument Health deposits amounts annually into accounts for the benefit of these individuals based on their employment agreements. Balances, including earnings, vest at three to five years and are thereafter payable in installments or in a lump sum, should certain requirements be met. Monument Health records the deposits and earnings as an asset limited as to use and the corresponding liability of \$22,867 and \$19,246 within other long-term liabilities as of June 30, 2024 and 2023, respectively. The expense charged to operations for deferred compensation was \$5,962 and \$5,702 for the years ended June 30, 2024 and 2023, respectively.

Monument Health has a defined contribution retirement plan covering substantially all employees. The plan provides that employees can voluntarily contribute a portion of their earnings to the plan. Employer contributions are discretionary and are determined and authorized by the Board of Directors each plan year. Monument Health provided a match of up to 2.5% and 4.0% of employees' earnings to the plan for the years ended June 30, 2024 and 2023, respectively. Total expense related to the plan for the years ended June 30, 2024 and 2023 were \$9,948 and \$13,992, respectively.



Supplementary Information
June 30, 2024

Monument Health, Inc.



Independent Auditor's Report on Supplementary Information

The Board of Directors
Monument Health, Inc.
Rapid City, South Dakota

We have audited the consolidated financial statements of Monument Health, Inc. as of and for the year ended June 30, 2024, and have issued our report thereon dated October 22, 2024, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole.

The supplementary consolidating information is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

A handwritten signature in black ink that reads "Eide Bailly LLP".

Minneapolis, Minnesota
October 22, 2024

Monument Health, Inc.
Consolidating Balance Sheets - Assets
June 30, 2024
(Amounts in Thousands)

	Obligated Group	Other	Eliminations	Total
Assets				
Current Assets				
Cash and cash equivalents	\$ 52,405	\$ 288	\$ -	\$ 52,693
Patient receivables, net	155,322	13,169	-	168,491
Other receivables	20,880	-	(5,603)	15,277
Assets limited as to use	10,228	-	-	10,228
Inventory	27,039	4,521	-	31,560
Prepaid expenses	18,597	119	-	18,716
Total current assets	284,471	18,097	(5,603)	296,965
Assets Limited as to Use, Less Current Portion	621,594	-	-	621,594
Property and Equipment, Net	556,212	2,908	-	559,120
Goodwill and Intangibles, Net	6,930	-	-	6,930
Net pension asset	3,344	-	-	3,344
Other Long-Term Assets	8,481	131	-	8,612
	<u>\$ 1,481,032</u>	<u>\$ 21,136</u>	<u>\$ (5,603)</u>	<u>\$ 1,496,565</u>

Monument Health, Inc.
Consolidating Balance Sheets – Liabilities and Net Assets
June 30, 2024
(Amounts in Thousands)

	Obligated Group	Other	Eliminations	Total
Liabilities and Net Assets				
Current Liabilities				
Current maturities of long-term debt	\$ 6,135	\$ -	\$ -	\$ 6,135
Accounts payable	33,748	7,099	(5,603)	35,244
Estimated payables to third-party payors	14,214	-	-	14,214
Accrued expenses				
Salaries and wages	25,435	2,112	-	27,547
Compensated absences	18,069	835	-	18,904
Employee health claims	2,428	-	-	2,428
Interest	4,873	-	-	4,873
Other	16,990	466	-	17,456
Total current liabilities	121,892	10,512	(5,603)	126,801
Other Liabilities				
Other long-term liabilities	31,985	25	-	32,010
Accrued pension liability	-	-	-	-
Long-term debt, net	349,409	-	-	349,409
Total liabilities	503,286	10,537	(5,603)	508,220
Net Assets				
Without donor restrictions	951,135	10,599	-	961,734
Noncontrolling interest	115	-	-	115
Total without donor restrictions	951,250	10,599	-	961,849
With donor restrictions	26,496	-	-	26,496
Total net assets	977,746	10,599	-	988,345
	<u>\$ 1,481,032</u>	<u>\$ 21,136</u>	<u>\$ (5,603)</u>	<u>\$ 1,496,565</u>

Monument Health, Inc.

Consolidating Statements of Operations and Changes in Net Assets without Restrictions

Year Ended June 30, 2024

(Amounts in Thousands)

	Obligated Group	Other	Eliminations	Total
Operating Revenue				
Patient service revenue	\$ 984,488	\$ 129,829	\$ -	\$ 1,114,317
Other	125,846	2,564	(73,923)	54,487
Provider relief and other	11,477	-	-	11,477
Total operating revenue	<u>1,121,811</u>	<u>132,393</u>	<u>(73,923)</u>	<u>1,180,281</u>
Operating Expenses				
Salaries, wages, and benefits	505,918	17,870	-	523,788
Outside services	200,344	3,218	-	203,562
Medical supplies	260,059	37,182	-	297,241
Other supplies and expenses	52,068	2,080	-	54,148
Depreciation and amortization	60,878	406	-	61,284
Interest	11,658	-	-	11,658
Intercompany	420	73,503	(73,923)	-
Total operating expenses	<u>1,091,345</u>	<u>134,259</u>	<u>(73,923)</u>	<u>1,151,681</u>
Operating Income (Loss)	<u>30,466</u>	<u>(1,866)</u>	<u>-</u>	<u>28,600</u>
Nonoperating Gains (Losses)				
Investment gains	54,051	-	-	54,051
Other	(1,273)	-	-	(1,273)
Total nonoperating gains (losses)	<u>52,778</u>	<u>-</u>	<u>-</u>	<u>52,778</u>
Revenues in Excess of (Less than) Expenses from Continuing Operations	83,244	(1,866)	-	81,378
Discontinued Operations	<u>(2,060)</u>	<u>-</u>	<u>-</u>	<u>(2,060)</u>
Revenues in Excess of (Less than) Expenses	81,184	(1,866)	-	79,318
Other Changes in Net Assets Without Donor Restrictions				
Adjustment to the funded status and other changes in pension plan	2,791	-	-	2,791
Other changes	(783)	-	-	(783)
Change in Net Assets Without Donor Restrictions	<u>\$ 83,192</u>	<u>\$ (1,866)</u>	<u>\$ -</u>	<u>\$ 81,326</u>



Federal Awards Reports in Accordance
with the Uniform Guidance
June 30, 2024

Monument Health, Inc.

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
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**Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Directors
Monument Health, Inc.
Rapid City, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the consolidated financial statements of Monument Health, Inc. (Monument Health), which comprise the consolidated balance sheet as of June 30, 2024, and the related consolidated statements of operations and changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 22, 2024.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Sioux Falls, South Dakota
October 22, 2024



**Independent Auditor's Report on Compliance for the Major Federal Program;
Report on Internal Control Over Compliance; and Report on the Consolidated Schedule of
Expenditures of Federal Awards Required by the Uniform Guidance**

To the Board of Directors
Monument Health, Inc.
Rapid City, South Dakota

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Monument Health, Inc.'s (Monument Health) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on Monument Health's major federal program for the year ended June 30, 2024. Monument Health's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Monument Health complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2024.

Basis of Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Monument Health and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of Monument Health's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Monument Health's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Monument Health's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Monument Health's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Monument Health's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Monument Health's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Monument Health's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2024-001. Our opinion on the major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on Monument Health's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Monument Health's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Monument Health's response to the internal control over compliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Monument Health's response we not subjected to the other audit procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Consolidated Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the consolidated financial statements of Monument Health as of and for the year ended June 30, 2024, and have issued our report thereon dated October 22, 2024, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidated schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidated schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

The image shows a handwritten signature in cursive script that reads "Erik Bailly LLP".

Sioux Falls, South Dakota
March 20, 2025

Monument Health, Inc.
Consolidated Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-through Entity Identifying Number	Expenditures
Department of Homeland Security Passed through the State of South Dakota Department of Public Safety COVID-19 Disaster Grants - Public Assistance	97.036	DSR4527PW30 DSR4527PW33 DSR4527PW48	<u>\$ 11,362,222</u>
Department of Health and Human Services Passed through the State of South Dakota Department of Health Division of Healthcare Access COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	24SC091880	20,000
Small Rural Hospital Improvement Grant Program	93.301	24SC093110 24SC093125 24SC093133 24SC093136	53,248
Passed through the State of South Dakota Department of Health Family Planning Services	93.217	24SC091444	<u>69,215</u>
Total Department of Health and Human Services			<u>142,463</u>
Total Federal Financial Assistance			<u><u>\$ 11,504,685</u></u>

Note 1 - Basis of Presentation

The accompanying consolidated schedule of expenditures of federal awards (the schedule) includes the federal award activity of Monument Health, Inc. and its consolidated subsidiaries (collectively, Monument Health) under programs of the federal government for the year ended June 30, 2024. The information is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Monument Health, it is not intended to and does not present the financial position, changes in net position, or cash flows of Monument Health.

Note 2 - Principles of Consolidation

The consolidated schedule of expenditures of federal awards includes the federal grant activity of Monument Health, Inc. and its consolidated subsidiaries (collectively, Monument Health) which received federal financial assistance. Significant intercompany balances and transactions have been eliminated in the consolidated schedule of expenditures of federal awards.

The following entities and their associated TIN numbers included within the schedule are as follows: Monument Health Rapid City Hospital, Inc. – TIN#460319070 and Monument Health Network, Inc. – TIN#460360899.

Note 3 - Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note 4 - Indirect Cost Rate

Monument Health has elected to use the 10% de minimis cost rate, where allowable.

Note 5 - COVID-19 Disaster Grants – Public Assistance

Monument Health received amounts from the State of South Dakota Department of Public Safety through the Disaster Grants – Public Assistance program (Federal Financial Assistance Listing #97.036) (FEMA) during the year ended June 30, 2024, totaling \$11,456,595 of which \$11,362,222 was considered federal pass-through funding and \$94,373 was considered state funding. The FEMA program allowed grant recipients to go back to April 2020 and claim expenditures. As a result, the schedule includes \$11,362,222 of expenditures that were incurred in a prior period.

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified	No
Significant deficiency identified not considered to be material weakness	Yes
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a):	Yes

Identification of major programs:

<u>Name of Federal Program</u>	<u>Federal Financial Assistance Listing</u>
COVID-19 - Disaster Grants - Public Assistance	97.036
Dollar threshold used to distinguish between Type A and Type B Programs	\$750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

No findings required to be reported.

Section III – Federal Award Findings and Questioned Costs

**2024-001 Department of Homeland Security
Federal Financial Assistance Listing #97.036
COVID-19 Disaster Grants – Public Assistance**

**Activities Allowed or Unallowed and Allowable Costs/Cost Principles
Significant Deficiency in Internal Control over Compliance and Noncompliance**

Criteria: 2 CFR 200.303(a) establishes that the auditee must establish and maintain effective internal control over the federal award that provides assurance that the entity is managing the federal award in compliance with federal statutes, regulations, and conditions of the federal award.

Condition: Our testing identified eleven instances where contract labor costs were over claimed under the program due to a calculation error. Monument Health’s methodology for identifying contract labor attributable to COVID to be based upon identifying total contract labor and multiplying by the percentage of COVID patient days as a percentage of total patient days. The methodology also identified certain cost centers were to be excluded from the calculation, including behavioral health and med/surg nursing. Based upon review of management’s allocation percentage, it was noted the behavioral health and med/surg nursing COVID patient days were included within the total COVID patient days; therefore, a higher percentage of COVID patient days to total patient days was calculated. The calculation percentage was then utilized to calculate contract labor attributable to COVID for contract labor costs identified from July 2, 2022 through May 11, 2023.

Cause: The review process did not identify the behavioral health and med/surg nursing COVID patient days being improperly included within the calculation of contract labor attributable to COVID.

Effect: Monument Health’s control did not detect or correct the calculation error identified, which resulted in expenditures being claimed under the federal program that may be unallowable and a reasonable possibility that Monument Health would not be able to detect and correct noncompliance in a timely manner.

Questioned Costs: There are questioned costs in the amount of \$58,985.

Context: A non-statistical sample of 60 out of 2,565 total transactions were selected for testing, which accounted for \$178,483 of \$10,295,993 of federal program expenditures. In addition, five individually significant items were selected for testing which accounted for \$1,066,229 of federal program expenditures. Testing was also performed over the calculation of contract labor attributable to COVID patient days as a percentage of total patient days for the period from July 1, 2021 to July 1, 2022 and from July 2, 2022 to May 11, 2023.

Repeat Finding from Prior Year: No

Recommendation: We recommend Monument Health review and strengthen the controls surrounding the calculations of expenditures being claimed under the grant.

Views of Responsible Officials: Management agrees with the finding.



Executive Management | PO Box 6000 | Rapid City, SD 57709

Management's Response to Auditor's Findings:
Summary Schedule of Prior Audit Findings and Corrective
Action Plan
June 30, 2024

Prepared by Management of
Monument Health

Corrective Action Plan

Finding: 2024-001

Federal Agency Name: Department of Homeland Security

Federal Financial Assistance Listing #97.036

Program Name: COVID-19 Disaster Grants – Public Assistance

Finding Summary:

Audit testing identified eleven instances where contract labor costs were over claimed under the program due to a calculation error. Monument Health's methodology for identifying contract labor attributable to COVID to be based upon identifying total contact labor and multiplying by the percentage of COVID patient days as a percentage of total patient days. The methodology also identified certain cost centers were to be excluded from the calculation, including behavioral health and med/surg nursing. Based upon review of management's allocation percentage, it was noted the behavioral health and med/surg nursing COVID patient days were included within the total COVID patient days; therefore, a higher percentage of COVID patient days to total patient days was calculated. The calculation percentage was then utilized to calculate contract labor attributable to COVID for contract labor costs identified from July 2, 2022 through May 11, 2023.

Responsible Individuals:

Austin Willuweit, Chief Financial Officer

Jen Schmaltz, Vice President of Finance

Corrective Action Plan:

Monument Health will review future calculations for consistency and accuracy.

Anticipated Completion Date:

June 30, 2025

Summary Schedule of Prior Audit Findings

Finding: 2023-001

Federal Agency Name: Department of Health and Human Services

Federal Financial Assistance Listing #93.498

Program Name: COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution

Initial Fiscal Year Finding Occurred: 2023

Finding Summary: Audit testing identified four months of other general and administrative expenses claimed under the federal program did not consider the credit to be received back from a third-party vendor for service time not performed by the third-party vendor. The Period 4 report incorrectly included \$64,404 of other general and administrative expenses. However, the Period 4 report also included approximately \$6,077,500 of unused lost revenue. As a result, there are no questioned costs for activities allowed or unallowed and allowable costs/cost principles.

Status: No additional funding has been received under this program and no further reporting requirements are anticipated for this program.