

**Finance Committee & CFO Report for the  
USJHSD Board Meeting on June 28, 2022**

The Board's Finance Committee met on June 27, 2022. The report below provides an overview of the financials and addresses any questions made by members of the Finance Committee.

1) **May Financials:**

a) **Bottom line and Income Statement:**

- i) Historically PSMC operates in the negative until summer.
- ii) On the Income Statement:
  - (1) Gross Revenue: Gross patient revenues are 5% higher than budget.
  - (2) Deductions to Gross Revenues for Payer Contractuals, Charity and Bad Debt: Each month PSMC has deductions to its revenue for bad debt, charity care as well as deductions made by third-party payers (Medicare and commercial insurers) that are referred to as payer contractuals. Year to date, these deductions to revenue are slightly less than budget.
  - (3) Non-Cash Expenses: PSMC had two unplanned noncash expenses in May:
    - (a) Noncash expense of \$591,680 for sick and public health emergency leave for employees. As relayed at the April Board meeting, Colorado law has required sick and public health emergency leave since 2021. An employer's existing paid time off plan can satisfy the sick leave, but it turns out there are many management limitations to this (limits on discipline, required notice and certain aspects cannot be accrued but must be immediately available). PSMC adjusted its existing PTO plan to include sick and public health emergency leave that meet the management limitations. This leave is a noncash expense of \$255,680 to 2022 and \$336,000 to 2021.
    - (b) Noncash expense of \$403,678 to accrue PTO of employees with an employment contract. As discussed with the Board in February, PSMC has historically contractually required employees with an employment contract to forfeit PTO when they leave employment; however, as a result of a change in 2021 case law, such contract provisions are no longer enforceable. The PTO for employees with an employment contract is the same, but it is no longer a contingent expenditure and was added as a liability on the balance sheet.
  - (4) Contract labor expenses for traveler staffing (nursing and lab) continues to greatly exceed budget – in May this expense was \$470,321 greater than budget.
  - (5) Net Revenues: Due to expenses (described above), PSMC fell short of budget by \$449,450.
- iii) Days of accounts receivable continued at A/R 52.3 days.

b) **Balance Sheet:**

- i) As of May 31, 2022, PSMC has 133.44 days of cash on hand.
- ii) On the Balance Sheet, PSMC has additional cash on hand that appears as both an asset and a liability as follows:
  - (1) \$669,775 (additional 6.05 days of cash) of CARES Funding (appears in the Assets column as "Relief Fund Restricted" and in the Liabilities column as "Relief Fund Liability").
  - (2) \$1,384,122 (additional 12.5 days of cash) of Medicare Accelerated Payment – in 2020, Medicare made an advance which PSMC applies against sums due to PSMC for Medicare services. Staff reported that these funds are being applied at a faster rate so we will see these funds depleted at a faster rate than the past. Any sums

not applied through September 2022 are returned to Medicare.

- 2) **Audit.** The auditor presented, via Zoom, the audit to the Finance Committee. As set forth in the letters from the auditor to the Board of Directors, the auditor concluded that the financial statements “present fairly, in all material respects, the financial position of the District as of December 31, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.” With respect to federal Payroll Protection funds and stimulus funds, the auditor noted: (a) the District expended funds to maintain staffing in 2020 but the PPP forgiveness for those expenses were recognized in 2021; and (b) the District recognized stimulus funds for expenditures of the District to respond to the pandemic.
- 3) **Pruitt Building.** The Finance Committee discussed PSMC’s financial condition as it relates to the possible Pruitt Building acquisition and will report the same to the Board of Directors in executive session.
- 4) **Finance Committee Recommendations:** The Finance Committee recommends acceptance of the May 2022 financial reports as presented.