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June 10, 2020

Board of Trustees  
Major Health Partners  
150 West Washington Street  
Shelbyville, IN 46176

We have reviewed the audit report of Major Health Partners which was opined on by Blue & Co., LLC, Independent Public Accountants, for the period January 1, 2019 to December 31, 2019. Per the *Report of Independent Auditors*, the financial statements present fairly the financial condition of Major Health Partners as of December 31, 2019, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Blue & Co., LLC prepared the audit report in accordance with the guidelines established by the State Board of Accounts

The audit report is filed with this letter in our office as a matter of public record.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner



**CONSOLIDATED FINANCIAL STATEMENTS**

**AND**

**SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2019 AND 2018**

*CPAs / ADVISORS*



# MAJOR HEALTH PARTNERS

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## REPORT OF INDEPENDENT AUDITORS

Board of Trustees  
Major Health Partners  
Shelbyville, Indiana

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Major Health Partners (MHP), a component unit of Shelby County, which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility 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; this includes 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the *Uniform Compliance Guidelines for Audits of Hospitals and State and Local Governments by Authorized Independent Public Accountants*, issued by the Indiana State Board of Accounts. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to MHP's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MHP's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Board of Trustees  
Major Health Partners  
Shelbyville, Indiana

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of MHP as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Report on Required Supplementary Information

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

### Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information as listed in the accompanying table of contents is presented for purposes of additional analysis rather than to present the financial position, results of operations, and cash flows of the individual entities, 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 supplementary 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 supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

**Blue & Co., LLC**

Indianapolis, Indiana  
May 22, 2020

**REQUIRED SUPPLEMENTARY INFORMATION**

# MAJOR HEALTH PARTNERS

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2019 AND 2018

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This section of Major Health Partners' (MHP) annual consolidated financial statements presents background information and management's discussion and analysis (MD&A) of MHP's financial performance. This MD&A does include a discussion and analysis of the activities and results of MHP which is the consolidated entity that consists of Major Hospital (the Hospital) and its blended component units, MedWorks, Inc. (MedWorks) and Major Hospital Foundation. Please read it in conjunction with MHP's consolidated financial statements that follow this MD&A.

### FINANCIAL HIGHLIGHTS

- MHP reported a positive change in net position for 2019 of approximately \$45.5 million compared to a positive change in net position of approximately \$20.7 million in 2018, representing an increase of approximately \$24.8 million in comparison to the 2018 results.
- MHP spent approximately \$13.9 million on equipment and capital projects in 2019. Disposals totaled approximately \$1.3 million during 2019.

### USING THIS ANNUAL REPORT

MHP's consolidated financial statements consist of three consolidated statements – a balance sheet; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These financial statements and related notes provide information about the activities and the financial position of MHP.

The consolidated balance sheet includes all of MHP's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to MHP creditors (liabilities).

All of the current year's revenue earned and expenses incurred are accounted for in the consolidated statement of revenues, expenses and changes in net position.

Finally, the consolidated statement of cash flows' purpose is to provide information about MHP's cash flows from operating activities, financing activities including capital additions, and investing activities. This statement provides information on the sources and uses of cash and the change in the cash balance during the year.

# MAJOR HEALTH PARTNERS

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2019 AND 2018

### THE BALANCE SHEET AND STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The balance sheet and the statement of revenues, expenses and changes in net position report information about MHP's resources and its activities. These statements include all restricted and unrestricted assets and all liabilities using the economic resources measurement focus and on the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These statements report MHP's net position and changes in them. Think of MHP's net position—the difference between assets and liabilities—as one way to measure MHP's financial health, or financial position. Over time, increases or decreases in MHP's net position are one indicator of whether its financial health is improving or deteriorating. Consider other nonfinancial factors, however, such as changes in MHP's patient base and measures of the quality of service it provides to the community, as well as local economic factors to assess the overall health of MHP.

Table 1: Balance Sheets

The significant changes in MHP's assets in 2019 resulted from an increase in assets whose use is limited of approximately \$48.6 million. Assets whose use is limited increased primarily as a result of market performance during the current year. Total liabilities decreased in 2019 by approximately \$1.9 million in comparison to 2018. The decrease is attributable to a decrease in long term debt as a result of principal payments.

	2019	2018	Change 2019 - 2018	2017	Change 2018 - 2017
<b>Assets</b>					
Current assets	\$ 115,485,326	\$ 121,726,451	\$ (6,241,125)	\$ 116,560,720	\$ 5,165,731
Assets whose use is limited, net	226,240,054	177,591,203	48,648,851	140,055,453	37,535,750
Capital assets, net	155,381,116	154,632,415	748,701	150,575,580	4,056,835
Other assets, net	6,637,248	6,224,894	412,354	4,984,097	1,240,797
Total assets	<u>\$ 503,743,744</u>	<u>\$ 460,174,963</u>	<u>\$ 43,568,781</u>	<u>\$ 412,175,850</u>	<u>\$ 47,999,113</u>
<b>Liabilities</b>					
Current liabilities	\$ 111,019,016	\$ 110,919,603	\$ 99,413	\$ 106,205,104	\$ 4,714,499
Other liabilities	2,080,328	1,589,059	491,269	1,552,797	36,262
Long term debt, net	95,182,477	97,684,070	(2,501,593)	75,107,057	22,577,013
Total liabilities	<u>208,281,821</u>	<u>210,192,732</u>	<u>(1,910,911)</u>	<u>182,864,958</u>	<u>27,327,774</u>
<b>Net position</b>					
Net investment in capital assets	71,262,094	73,615,205	(2,353,111)	74,218,925	(603,720)
Restricted	4,665,135	2,593,901	2,071,234	2,996,545	(402,644)
Unrestricted	219,534,694	173,773,125	45,761,569	152,095,422	21,677,703
Total net position	<u>295,461,923</u>	<u>249,982,231</u>	<u>45,479,692</u>	<u>229,310,892</u>	<u>20,671,339</u>
Total liabilities and net position	<u>\$ 503,743,744</u>	<u>\$ 460,174,963</u>	<u>\$ 43,568,781</u>	<u>\$ 412,175,850</u>	<u>\$ 47,999,113</u>



## MAJOR HEALTH PARTNERS

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2019 AND 2018

The significant changes in MHP's assets in 2018 resulted from an increase in assets whose use is limited of approximately \$37.5 million. Assets whose use is limited increased primarily as a result of proceeds from the Series 2018 Bonds which will be used for equipment, construction for a new radiation oncology linear accelerator and wellness center, and the implementation of a new electronic health records system. Total liabilities increased in 2018 by approximately \$27.3 million in comparison to 2017. The increase is attributable to an increase in long term debt as a result of the issuance of the Series 2018 Bonds.

Table 2: Statements of Revenues, Expenses and Changes in Net Position

MHP's performance in 2019 showed a positive return on equity of 15.4% compared to 8.3% in 2018. Total operating revenue increased approximately \$5.5 million as net patient service revenue increased \$6.5 million in 2019 over 2018. Expenses increased by \$6.8 million between 2018 and 2019. Salaries, wages and benefits increased \$1.2 million in 2019. Non-operating revenues increased by \$25.5 million due to investment return of \$23.1 million in 2019 compared to investment loss of \$3.1 million in 2018.

	2019	2018	Change 2019 - 2018	2017	Change 2018 - 2017
<b>Revenues</b>					
Net patient service revenue	\$ 472,694,148	\$ 466,168,160	\$ 6,525,988	\$ 441,387,299	\$ 24,780,861
Other operating revenue	4,850,671	5,829,189	(978,518)	2,132,535	3,696,654
Total revenues	477,544,819	471,997,349	5,547,470	443,519,834	28,477,515
<b>Expenses</b>					
Salaries and benefits	89,624,625	88,382,077	1,242,548	86,691,684	1,690,393
Supplies	24,166,582	25,065,005	(898,423)	23,166,741	1,898,264
Depreciation and amortization	13,223,633	12,816,716	406,917	10,912,654	1,904,062
Other operating expenses	328,772,437	322,722,248	6,050,189	301,575,571	21,146,677
Total expenses	455,787,277	448,986,046	6,801,231	422,346,650	26,639,396
Operating income	21,757,542	23,011,303	(1,253,761)	21,173,184	1,838,119
<b>Non-operating revenue</b>	20,838,091	(4,640,769)	25,478,860	4,874,249	(9,515,018)
Excess of revenues over expenses	42,595,633	18,370,534	24,225,099	26,047,433	(7,676,899)
<b>Transfers</b>	2,884,059	2,300,805	583,254	2,654,363	(353,558)
Change in net position	45,479,692	20,671,339	24,808,353	28,701,796	(8,030,457)
<b>Net position</b>					
Beginning of year	249,982,231	229,310,892	20,671,339	200,609,096	28,701,796
End of year	\$ 295,461,923	\$ 249,982,231	\$ 45,479,692	\$ 229,310,892	\$ 20,671,339

MHP's performance in 2018 and 2017 showed a positive return on equity of 9.2%. Total operating revenue increased approximately \$28.5 million in 2018 as net patient service revenue increased \$24.8 million in 2018 over 2017. Expenses increased by \$26.6 million between 2017 and 2018. Purchased services expense within other operating expenses increased \$20.3 million in 2018. Non-operating revenues decreased by \$9.5 million due to investment loss of \$3.1 million in 2018 compared to investment return of \$8.4 million in 2017.

## MAJOR HEALTH PARTNERS

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2019 AND 2018

#### STATEMENTS OF CASH FLOWS

The final required statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as "Where did cash come from?", "What was cash used for?" and "What was the change in cash balance during the reporting period?"

Cash and cash equivalents decreased by approximately \$9.2 million in 2019 compared to an increase of approximately \$8.7 million in 2018. The majority of the 2019 decrease relates to cash expenditures for property and equipment additions.

	2019	2018	Change 2019 - 2018	2017	Change 2018 - 2017
Cash flows from					
Operating activities	\$ 32,671,890	\$ 37,034,329	\$ (4,362,439)	\$33,745,012	\$ 3,289,317
Noncapital financing activities	2,884,059	2,300,805	583,254	2,654,363	(353,558)
Capital and related financing	(19,279,238)	3,027,757	(22,306,995)	(27,547,815)	30,575,572
Investing	(25,509,804)	(33,647,717)	8,137,913	(1,067,253)	(32,580,464)
Change in cash and cash equivalents	\$ (9,233,093)	\$ 8,715,174	\$ (17,948,267)	\$ 7,784,307	\$ 930,867

Cash and cash equivalents increased by approximately \$8.7 million in 2018 compared to an increase of approximately \$7.8 million in 2017. The majority of the 2018 increase relates to cash generated from operations activities.

#### SOURCES OF REVENUE

During 2019, MHP derived substantially all of its revenue from patient service and other related activities. A significant portion of the patient service revenue is from patients that are insured by government health programs, principally Medicare and Medicaid, which are highly regulated and subject to frequent and substantial changes. Revenues from the Medicare and Medicaid programs represented 63% of MHP's acute care gross revenues in 2019.

Following is a table of major sources of acute care gross patient revenues for the past three years:

	2019	2018	2017
Medicare	43%	44%	44%
Medicaid	19%	19%	20%
Anthem	17%	16%	17%
Commercial	18%	18%	16%
Self Pay	3%	3%	3%
	<u>100%</u>	<u>100%</u>	<u>100%</u>

## MAJOR HEALTH PARTNERS

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2019 AND 2018

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MHP's service mix remained relatively consistent between 2019 and 2018. Acute inpatient revenue accounted for 12% of gross revenue in 2019 and 2018. Acute outpatient revenue was 50% and 49% of total gross revenue in 2019 and 2018, respectively. Long-term care revenue was 38% and 39% of total gross revenue in 2019 and 2018, respectively.

#### CAPITAL ASSETS

During 2019, MHP invested approximately \$13.9 million in capital assets along with retirements and transfers of approximately \$1.3 million. The change in capital assets is outlined in the following table:

	2019	2018	Change 2019 - 2018	2017	Change 2018 - 2017
Land and land improvements	\$ 15,785,595	\$ 14,779,899	\$ 1,005,696	\$ 14,646,018	\$ 133,881
Leasehold improvements	11,955,612	10,705,429	1,250,183	7,166,065	3,539,364
Buildings and improvements	115,407,784	110,262,147	5,145,637	105,293,847	4,968,300
Equipment	77,669,215	66,863,016	10,806,199	61,665,961	5,197,055
Construction in progress	1,095,514	6,745,542	(5,650,028)	3,904,451	2,841,091
Total property and equipment	221,913,720	209,356,033	12,557,687	192,676,342	16,679,691
Less accumulated depreciation	66,532,604	54,723,618	11,808,986	42,100,762	12,622,856
Capital assets, net	<u>\$155,381,116</u>	<u>\$154,632,415</u>	<u>\$ 748,701</u>	<u>\$150,575,580</u>	<u>\$ 4,056,835</u>

MHP strives to meet the needs of the community and provide high quality care by adding new equipment and facilities or by replacing or upgrading equipment as it becomes obsolete. More detailed information about MHP's capital assets is presented in the notes to the consolidated financial statements.

#### DEBT

Total long-term debt (including current portion) decreased from approximately \$100,029,000 to \$97,606,000 in 2019. The primary reason for the decrease in long term debt was principal payments made during the year. In 2018 total long-term debt (including current portion) increased \$22,795,000 compared to 2017. The primary reason for the decrease in long term debt was the issuance of the Series 2018 Bonds. More detailed information about MHP's long-term debt is presented in the notes to the consolidated financial statements.

## **MAJOR HEALTH PARTNERS**

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2019 AND 2018

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#### **ECONOMIC OUTLOOK**

Subsequent to December 31, 2019, the World Health Organization declared Coronavirus (COVID-19) a pandemic. The continued spread of COVID-19, or any similar outbreaks in the future, may adversely impact the local, regional, national and global economies. The extent to which COVID-19 impacts MHP's operating results is dependent on the breadth and duration of the pandemic and could be affected by other factors management is not currently able to predict. Potential impacts include, but are not limited to, additional costs for responding to COVID-19, shortages of healthcare personnel, shortages of clinical supplies, increased demand for services, delays, loss of, or reduction to, revenue and investment portfolio declines.

Management believes that the health care industry's and MHP's operating margins will continue to be under pressure due to a variety of factors including, but not limited to, COVID-19, uncertainty regarding health care reform, changes in payor and services mix, and growth in operating expenses that are in excess of the increases in contractually arranged and legally established payments received for services rendered. In addition, the adoption of high-deductible health plans by employers continues to occur and patients are increasingly being held responsible for more of the cost of health care. Consequently, the health care market place has been increasingly more competitive. The ongoing challenge facing MHP is to continue to provide quality patient care in this competitive environment, and to attain reasonable rates for the services that are provided while managing costs. The most significant factor affecting the Hospital is finding the balance in maintaining and controlling labor costs in the face of pressures on volume and pricing for its services in this increasingly competitive, retail-like environment.

#### **CONTACTING MHP'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of MHP's finances and to show MHP's accountability for the money it receives. If you have questions about this report or need additional financial information, contact MHP's Administration Department, at 2451 Intelliplex Dr., Shelbyville, IN 46176.

## MAJOR HEALTH PARTNERS

### CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2019 AND 2018

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#### ASSETS

	2019	2018
<b>Current assets</b>		
Cash and cash equivalents	\$ 21,177,815	\$ 27,590,652
Patient accounts receivable, net of allowance for uncollectible accounts of \$11,687,461 in 2019 and \$17,444,302 in 2018	54,628,123	54,885,386
Inventory and other current assets	39,080,386	36,905,384
Current portion of assets whose use is limited	599,002	2,345,029
Total current assets	<u>115,485,326</u>	<u>121,726,451</u>
<b>Assets whose use is limited</b>		
Internally designated	209,737,527	157,908,967
Held by trustee for construction	13,487,089	19,011,889
Donor restricted funds	3,614,440	3,015,376
Total assets whose use is limited	<u>226,839,056</u>	<u>179,936,232</u>
Less current portion	599,002	2,345,029
Noncurrent assets whose use is limited	<u>226,240,054</u>	<u>177,591,203</u>
<b>Capital assets, net</b>	155,381,116	154,632,415
<b>Property held for investment</b>	1,926,460	1,926,460
<b>Other assets, net</b>	4,710,788	4,298,434
Total assets	<u>\$ 503,743,744</u>	<u>\$ 460,174,963</u>

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See accompanying notes to consolidated financial statements.

## MAJOR HEALTH PARTNERS

### CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2019 AND 2018

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#### LIABILITIES AND NET POSITION

	2019	2018
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 92,536,177	\$ 92,391,837
Accrued wages and related liabilities	12,859,205	11,966,105
Estimated third-party settlements	3,200,000	4,216,632
Current portion of long-term debt		
Revenue bonds payable	2,423,634	2,345,029
Total current liabilities	111,019,016	110,919,603
<b>Other liabilities</b>	2,080,328	1,589,059
<b>Long term debt, net of current portion</b>		
Revenue bonds payable	95,182,477	97,684,070
Total long term debt	95,182,477	97,684,070
Total liabilities	208,281,821	210,192,732
<b>Net position</b>		
Net investment in capital assets	71,262,094	73,615,205
Restricted		
Expendable - other specific purpose	1,004,265	405,201
Non-expendable	3,660,870	2,188,700
Total restricted net position	4,665,135	2,593,901
Unrestricted	219,534,694	173,773,125
Total net position	295,461,923	249,982,231
Total liabilities and net position	\$ 503,743,744	\$ 460,174,963

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See accompanying notes to consolidated financial statements.

## MAJOR HEALTH PARTNERS

### CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
<b>Revenues</b>		
Net patient service revenue	\$ 472,694,148	\$ 466,168,160
Other revenue	4,850,671	5,829,189
Total revenues	477,544,819	471,997,349
<b>Expenses</b>		
Salaries and wages	70,772,004	68,273,136
Employee benefits	18,852,621	20,108,941
Medical professional fees	3,559,372	3,484,342
Supplies	24,166,582	25,065,005
Purchased services	273,086,027	271,686,790
Rent and maintenance	38,486,686	37,800,036
Utilities	1,433,696	1,641,367
Insurance	1,260,745	1,153,894
Depreciation and amortization	13,223,633	12,816,716
HAF and HIP program fee	5,405,543	2,686,247
Other expenses	5,540,368	4,269,572
Total expenses	455,787,277	448,986,046
Operating income	21,757,542	23,011,303
<b>Nonoperating revenues (expenses)</b>		
Investment income (loss)	23,074,894	(3,095,275)
Interest expense	(3,076,681)	(3,086,478)
Other nonoperating revenue	839,878	1,540,984
Nonoperating revenues (expenses), net	20,838,091	(4,640,769)
Excess of revenues over expenses	42,595,633	18,370,534
<b>Transfers</b>	2,884,059	2,300,805
Change in net position	45,479,692	20,671,339
<b>Net position</b>		
Beginning of year	249,982,231	229,310,892
End of year	\$ 295,461,923	\$ 249,982,231

See accompanying notes to consolidated financial statements.

## MAJOR HEALTH PARTNERS

### CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
<b>Operating activities</b>		
Cash received from patient services	\$ 471,934,779	\$ 464,888,086
Cash paid for salaries, wages and benefits	(88,731,525)	(88,305,868)
Cash paid to vendors and suppliers	(354,944,919)	(344,192,944)
Other receipts, net	4,413,555	4,645,055
Net cash flows from operating activities	32,671,890	37,034,329
<b>Noncapital financing activities</b>		
Transfers from noncontrolling interest	2,884,059	2,300,805
Net cash flows from noncapital financing activities	2,884,059	2,300,805
<b>Capital and related financing activities</b>		
Proceeds from issuance of long-term debt	-0-	25,000,000
Principal payments on long-term debt	(2,345,029)	(2,127,020)
Interest on long-term debt	(3,076,681)	(3,086,478)
Purchases of capital assets	(13,887,796)	(16,865,655)
Proceeds from the sale of capital assets	5,506	163,573
Other	24,762	(56,663)
Net cash flows from capital and related financing activities	(19,279,238)	3,027,757
<b>Investing activities</b>		
Investment income	23,074,894	(3,095,275)
Other nonoperating revenues (expenses)	839,878	1,540,984
Purchase of investments	(179,003,138)	(146,895,007)
Proceeds from sale of investments	129,578,562	114,801,581
Net cash flows from investing activities	(25,509,804)	(33,647,717)
Net change in cash and cash equivalents	(9,233,093)	8,715,174
<b>Cash and cash equivalents:</b>		
Beginning of year	92,753,125	84,037,951
End of year	\$ 83,520,032	\$ 92,753,125
<b>Reconciliation of cash and cash equivalents to the consolidated balance sheet</b>		
Cash and cash equivalents		
In current assets	\$ 21,177,815	\$ 27,590,652
In assets whose use is limited		
Internally designated	62,169,458	65,081,243
Donor restricted	172,759	81,230
Total cash and cash equivalents	\$ 83,520,032	\$ 92,753,125

See accompanying notes to consolidated financial statements.



## MAJOR HEALTH PARTNERS

### CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2019 AND 2018

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	2019	2018
<b>Reconciliation of operating income to net cash from operating activities</b>		
Operating income	\$ 21,757,542	\$ 23,011,303
Adjustments to reconcile operating income to net cash flows from operating activities		
Depreciation and amortization	13,223,633	12,816,716
Bad debts	8,518,389	7,161,029
Changes in operating assets and liabilities		
Patient accounts receivable	(8,261,126)	(9,457,735)
Inventory and other current assets	(2,175,002)	247,323
Other assets	(412,354)	(1,240,797)
Accounts payable and accrued expenses	144,340	3,403,649
Accrued wages and related liabilities	893,100	76,209
Estimated third-party settlements	(1,016,632)	1,016,632
Net cash flows from operating activities	<u>\$ 32,671,890</u>	<u>\$ 37,034,329</u>

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See accompanying notes to consolidated financial statements.

# MAJOR HEALTH PARTNERS

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Organization and Reporting Entity

The consolidated financial statements of Major Health Partners (MHP) refer to Major Hospital (the Hospital) and its subsidiaries.

The Hospital is an acute-care hospital located in Shelbyville, Indiana, organized for the purpose of providing healthcare services to the residents of Shelby County and the surrounding communities. The Hospital is a city/county hospital and operates under the Indiana County Hospital Law, Indiana Code (IC) 16-22. The Hospital provides short-term inpatient, outpatient and long-term health care.

A Hospital Appointing Board, consisting of one County Commissioner, one County Council person and the Mayor of the City of Shelbyville, appoints the Governing Board of the Hospital. The Hospital is considered a component unit of Shelby County.

Pursuant to the provision of long-term care, MHP owns the operations of certain long-term care facilities by way of an arrangement with managers of the facilities. These facilities provide inpatient and therapy services. Generally, gross revenues from the operation of the long-term care facilities are the property of MHP, and MHP is responsible for the associated operating expenses and working capital requirements. While the management and related lease agreements are in effect, the performance of all activities of the managers shall be on behalf of MHP, and MHP retains the authority and legal responsibility for the operation of the facilities.

Specifically, MHP entered into lease agreements with the long-term care facilities to lease the facilities managed by the respective managers. Concurrently, MHP entered into an agreement with the managers to manage the leased facilities. As part of the agreements, MHP will pay the managers a management fee to continue managing the facilities on behalf of MHP in accordance with the terms of the agreements. The agreements expire at various times. Generally, all parties involved can terminate the agreement without cause with 90 days written notice.

Accounting principles generally accepted in the United States require that these consolidated financial statements present the Hospital and its significant component units, collectively referred to as the "primary government." The blended component units discussed below are included in the Hospital's reporting entity because of the significance of their operational or financial relationships with the Hospital. Blended component units, although legally separate entities, are in substance part of the primary government's operations and exist solely to provide services for the primary government; data from these units is consolidated with data of the primary government.

## MAJOR HEALTH PARTNERS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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#### Blended Component Units

Major Hospital Foundation (the Foundation) is a blended component unit of the Hospital. The Foundation is a separate not-for-profit entity organized to support the operations of the Hospital.

MedWorks, Inc. (MedWorks) is a blended component unit of the Hospital which operates a pharmacy located in Shelbyville, Indiana. MedWorks is majority owner of Major Multispecialty Associates, LLC (MMSA) and Onsite Solutions, LLC (Onsite). These practices generally provide health care services to the community. The Hospital is the 100% owner of MedWorks. Although MedWorks is legally separate from the Hospital, MedWorks is reported as if it were a part of the Hospital as the two Governing Boards are substantially the same. These entities have been consolidated for financial statement presentation.

Major Medical Group, LLC (MMG) is a blended component unit of the Hospital. MMG was organized to provide various physician practice services. The Hospital is the majority owner (60%) of MMG.

All significant intercompany transactions have been eliminated in the consolidated financial statements.

The separate financial statements for each of the entities discussed above may be obtained through contacting management of MHP.

#### 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 and disclosures of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Measurement Focus and Basis of Accounting

The consolidated financial statements are reported using the economic resources measurement focus and on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

## MAJOR HEALTH PARTNERS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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#### Cash and Cash Equivalents

Cash and cash equivalents include deposits and investments in highly liquid debt instruments with an original maturity date of 90 days or less from the date of purchase. MHP maintains its cash in accounts, which at times, may exceed federally insured limits. MHP has not experienced any losses in such accounts. MHP believes it is not exposed to any significant credit risk on cash and cash equivalents.

#### Assets Whose Use is Limited

Assets whose use is limited are stated at fair market value in the consolidated financial statements. These assets include investments designated by the Hospital Board for internal purposes, investments restricted by donors for a specific purpose and investments held by trustees for debt service.

These investments consist primarily of cash and cash equivalents, certificates of deposit, US government securities, mutual funds, corporate debt and equity securities. Investment interest, dividends, gains and losses, both realized and unrealized are included in nonoperating revenues (expenses) in the consolidated statements of revenues, expenses and changes in net position.

Nonparticipating certificates of deposit, demand deposits and similar negotiable instruments that are not reported as cash and cash equivalents are reported as investments at contract value.

#### Patient Accounts Receivable and Patient Service Revenues

Patient revenues and the related accounts receivable are recorded at the time services to patients are performed. MHP is a provider of services to patients entitled to coverage under Titles XVIII and XIX of the Health Insurance Act (Medicare and Medicaid). MHP is reimbursed for Medicare and Medicaid inpatient services based on a fixed price per discharge for each diagnosis related grouping (DRG).

MHP is reimbursed for Medicare and Medicaid outpatient services based on a fixed price per clinical unit of service. Differences between the total program billed charges and the payments received are reflected as deductions from revenue. At MHP's year-end, a cost report is filed with the Medicare program computing reimbursement amounts related to Medicare patients.

These programs have audited the year-end cost report filed with the Medicare program through December 31, 2016 with differences reflected as deductions from revenue in 2019. Amounts for unresolved cost reports for 2017 through 2019 are reflected in estimated third-party settlements on the consolidated balance sheets.

## MAJOR HEALTH PARTNERS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. Although these audits may result in some changes in these amounts, they are not expected to have a material effect on the accompanying consolidated financial statements.

Accounts receivable for patients, insurance companies, and governmental agencies are based on gross charges less an allowance for contractual adjustments and interim payment advances. An allowance for contractual adjustments and interim payment advances is based on expected payment rates from payors based on current reimbursement methodologies. This amount also includes amounts received as interim payments against unpaid claims by certain payors.

An allowance for uncollectible accounts is established on an aggregate basis by using historical write-off rate factors applied to unpaid accounts based on aging. Loss rate factors are based on historical loss experience and adjusted for economic conditions and other trends affecting MHP's ability to collect outstanding amounts. Uncollectible amounts are written off against the allowance for doubtful accounts in the period they are determined to be uncollectible.

#### Grants and Contributions

MHP received grant funds from Shelby County and the City of Shelbyville, Indiana. Revenues from grants and contributions are recognized when all requirements are met. Grants may be restricted for either specific operation purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues.

#### Endowments

Endowments are provided to MHP through the Foundation on a voluntary basis by individuals and private organizations. Permanent endowments require that the principal or corpus of the endowment be retained in perpetuity. If a donor has not provided specific instructions, the Foundation's governing board is permitted to expend the net appreciation of the investments of endowment funds.

#### Charity Care

MHP provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy on a sliding scale on the basis of financial need. Because MHP does not pursue collection of approved charity care balances, the charges are not reflected in net revenue. Rather, charges approved for charity are posted to gross revenue and subsequently written off as a charity adjustment before the resulting net patient service revenue.

## MAJOR HEALTH PARTNERS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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Of MHP's total expenses reported within the consolidated statements of revenues, expenses and changes in net position; an estimated \$163,000 and \$362,000 arose from providing services to charity patients for 2019 and 2018, respectively. The estimated costs of providing charity services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on MHP's total expenses to gross patient service revenue. There were no significant changes to MHP's charity care policy during 2019 and 2018.

#### Inventory and Other Current Assets

Inventory is valued at the lower of cost or market with cost being determined on the first-in, first-out (FIFO) method. Inventory at year-end consists mainly of pharmaceuticals and medical supplies.

Other current assets consist of prepaid expenses, other reimbursement receivables related to long-term care services and various other current items. These assets are classified as current as they are expected to be utilized during 2020.

The composition of inventory and other current assets includes the following as of December 31:

	2019	2018
Inventory	\$ 4,565,635	\$ 3,218,985
Prepaid expenses	4,683,944	4,778,378
Other receivables	29,830,807	28,908,021
Total	<u>\$ 39,080,386</u>	<u>\$ 36,905,384</u>

#### Capital Assets and Depreciation

Capital assets such as property and equipment are stated at cost and include expenditures for new additions and other costs added to existing facilities which exceed \$2,500 for the Hospital, \$500 for other consolidated entities, and meet certain useful life thresholds. Maintenance, repairs and minor renewals are expensed as incurred.

MHP provides for depreciation of property and equipment using annual rates, which are sufficient to depreciate the cost of depreciable assets over their estimated useful lives using the straight-line method. The range of useful lives in computing depreciation is as follows:

Description	Range of Useful Lives
Land improvements	15 years
Leasehold improvements	15 years
Buildings and improvements	4-50 years
Equipment	5-15 years

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## MAJOR HEALTH PARTNERS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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#### Classification of Net Position

Net position of MHP is classified in four components. (1) Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the current balance of any outstanding borrowings used to finance the purchase or construction of those assets and increased by funds held by trustee for construction of the property and equipment related to the borrowings (2) Restricted expendable net position includes assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital, including amounts deposited with trustees as required by revenue note indentures. (3) Restricted non-expendable net position includes the principal portion of permanent endowments and noncontrolling interests owned by external investors. (4) Unrestricted net position is the remaining net position that does not meet the definition of invested in capital assets net of related debt or restricted.

#### Restricted Resources

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

#### Consolidated Statements of Revenues, Expenses and Changes in Net Position

MHP's consolidated statements of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. For purposes of display, transactions deemed by management to be ongoing, major or central to the provision of healthcare services are reported as revenues and expenses. Peripheral or incidental transactions such as investment activities are reported as nonoperating revenues or expenses.

#### Costs of Borrowing

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. During 2019 and 2018, MHP capitalized interest, net of related income, of approximately \$542,000 and \$76,000, respectively.

#### Income Taxes

The Hospital is a governmental instrumentality organized under Title 16, Article 22, of the Indiana statutes. The Hospital is exempt from federal income tax under the Internal Revenue Code of 1986 as a charitable, educational, and scientific organization as described under Section 501(c)(3). As such, the Hospital is generally exempt from income taxes as a unit of local government. No income tax filings are required of the Hospital as it is a governmental instrumentality.

## MAJOR HEALTH PARTNERS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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The blended component unit of the Foundation is tax-exempt organizations under Internal Revenue Code 501(c)(3). As such, the Foundation is generally exempt from income taxes. However, the Foundation is required to file Federal Form 990 – Return of Organization Exempt from Income Tax, which is an informational return only.

The blended component unit of MedWorks was organized as a corporation subject to Federal and State income taxes. Income taxes for these entities are provided for the tax effects of transactions reported in the consolidated financial statements and consist of taxes currently due plus deferred taxes. However, the effects of recording a deferred tax provision have been deemed immaterial and have not been recorded in the accompanying consolidated financial statements.

The remaining consolidated subsidiaries of MedWorks and MMG are organized as limited liability companies, whereby net taxable income is taxed directly to the members of the limited liability companies. Thus, the consolidated financial statements do not include any provision for Federal or State income taxes related to these entities.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by MHP (and their affiliates) and recognize a tax liability if MHP has taken an uncertain position that more likely than not would not be sustained upon examination by various Federal and State taxing authorities.

Management has analyzed the tax positions taken by MHP and has concluded that as of December 31, 2019 and 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying consolidated financial statements. MHP is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

These entities have filed their Federal and State income tax returns for periods through December 31, 2018. These income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

#### Compensated Absences

MHP's policy on compensated absences (which include vacation, sick leave and holidays) allows full time employees and regular part time employees to accrue days off, to a maximum hour as stated in the personnel policies. Compensated absences are accrued when incurred and reported as a liability on the consolidated balance sheets.



## MAJOR HEALTH PARTNERS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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#### Advertising

MHP's policy is to expense advertising costs when the advertising first takes place. Advertising expense was approximately \$139,000 and \$112,000 for 2019 and 2018, respectively.

#### Litigation

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

#### Risk Management

MHP is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

#### Subsequent Events

MHP evaluated events or transactions occurring subsequent to the consolidated balance sheet date for recognition and disclosure in the accompanying consolidated financial statements through the date the consolidated financial statements are issued which is May 22, 2020.

#### Recently Issued Accounting Pronouncements

In November 2016, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 83, *Certain Asset Retirement Obligations*, which establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for certain asset retirement obligations. An asset retirement obligation is a legally enforceable liability associated with the retirement of a tangible capital asset. In May 2020, the GASB issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postponed the effective date of GASB Statement No. 83, *Certain Asset Retirement Obligations*, by one year. GASB Statement No. 83 will be effective for periods beginning after June 15, 2019.

## MAJOR HEALTH PARTNERS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of governmental entities. The focus of the criteria generally is on (1) whether a government entity is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. As a result, pension and other postemployment benefit plans (both defined contribution plans and defined benefit plans) should now be reported within the statement of fiduciary net position and statement of changes in fiduciary net position of the governmental entity. In May 2020, the GASB issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postponed the effective date of GASB Statement No. 84, *Fiduciary Activities*, by one year. GASB Statement No. 84 will be effective for periods beginning after December 15, 2019.

In June 2017, the GASB issued GASB Statement No. 87, *Leases*, which requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. In May 2020, the GASB issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postponed the effective date of GASB Statement No. 87, *Leases*, by 18 months. GASB Statement No. 87 will be effective for periods beginning after June 15, 2021.

In March 2018, the GASB issued GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. In May 2020, the GASB issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postponed the effective date of GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, by one year. GASB Statement No. 88 will be effective for periods beginning after June 15, 2019.

## MAJOR HEALTH PARTNERS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. In May 2020, the GASB issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postponed the effective date of GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, by one year. GASB Statement No. 89 will be effective for periods beginning after December 15, 2020.

In August 2018, the GASB issued GASB Statement No. 90, *Majority Equity Interests an amendment of GASB Statements No. 14 and No. 61*, which clarifies the financial reporting for majority owed equity interests in the financial statements of entities that hold such interests. In May 2020, the GASB issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postponed the effective date of GASB Statement No. 90, *Majority Equity Interests an amendment of GASB Statements No. 14 and No. 61*, by one year. GASB Statement No. 90 will be effective for periods beginning after December 15, 2019.

In May 2019, the GASB issued GASB Statement No. 91, *Conduit Debt Obligations*, which clarifies the financial reporting and enhances the supporting disclosures for conduit debt obligations and related commitments in the financial statements of issuers. In May 2020, the GASB issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postponed the effective date of GASB Statement No. 91, *Conduit Debt Obligations*, by one year. GASB Statement No. 91 will be effective for periods beginning after December 15, 2021.

MHP is presently evaluating the impact of these standards on its future consolidated financial statements.

## 2. NET PATIENT SERVICE REVENUE

MHP has agreements with third-party payors that provide for reimbursement to MHP at amounts different from its established rates. Estimated contractual adjustments under third-party reimbursement programs represent the difference between the MHP's billings at standard rates and amounts reimbursed by third-party payors. They also include any differences between estimated third-party reimbursement settlements for prior years and subsequent final settlements. A summary of the reimbursement arrangements with major third-party payors is as follows:

## MAJOR HEALTH PARTNERS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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#### Medicare

Medicare inpatient services are reimbursed based on a predetermined amount for each case based on the diagnosis associated with the patient (Prospective Payment Hospital). These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The prospectively determined rates are not subject to retroactive adjustment with the exception of a few select items, such as bad debts.

MHP's classification of patients under the Prospective Payment Hospital and the appropriateness of patient admissions are subject to validation reviews by the Medicare peer review organization which is under contract with MHP to perform such reviews. Medicare outpatient services are primarily reimbursed on predetermined rates based on the services provided.

#### Medicaid

MHP is reimbursed for Medicaid inpatient services under a prospectively determined rate-per-discharge and is not subject to retroactive adjustment. The differences between standard charges and reimbursement from these programs are recorded as contractual adjustments. Reimbursement for Medicaid outpatient services is based on predetermined rates, and is not subject to retroactive cost based settlements.

MHP is eligible for the Indiana Medicaid Supplemental programs including Medicaid Disproportionate Share Hospital and Municipal Upper Payment Limit programs. MHP recognized reimbursement from these programs within net patient revenue of approximately \$2,033,000 and \$3,050,000 for 2019 and 2018, respectively. These programs are Federal programs administered by the State of Indiana.

The Hospital participates in the Hospital Assessment Fee (HAF) Program. The purpose of the HAF Program is to fund the State share of enhanced Medicaid payments and Medicaid Disproportionate Share (DSH) payments for Indiana hospitals as reflected in the HAF and HIP program fee reported in the consolidated statements of revenues, expenses and changes in net position. Previously, the State's share was funded by governmental entities through intergovernmental transfers.

The Medicaid enhanced payments relate to both fee for service and managed care claims. The Medicaid enhanced payments are designed to follow the patients and result in increased Medicaid rates. Beginning July 1, 2017, hospitals also started funding the Healthy Indiana Plan (HIP) Program, the State's Medicaid expansion program. The payments related to the HIP Program mirror the Medicaid payments under the HAF Program but the funding includes physician, state administration, and certain non-hospital expenditures. During 2019 and 2018, MHP recognized HAF and HIP program fee of approximately \$5,406,000 and \$2,686,000, respectively. The Medicaid rate increases under the HAF and HIP Programs are included in net patient service revenue in the consolidated statements of revenues, expenses and changes in net position.

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## MAJOR HEALTH PARTNERS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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#### Other Payors

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

The following is a summary of net patient service revenue for 2019 and 2018:

	2019	2018
Patient service revenue		
Inpatient	\$ 80,899,771	\$ 80,016,325
Outpatient	351,405,128	328,813,955
Long-term care	266,617,587	267,193,222
Gross patient service revenue	<u>698,922,486</u>	<u>676,023,502</u>
Deductions from revenue		
Contractual allowances	217,276,074	201,743,190
Charity care	433,875	951,123
Bad debts	8,518,389	7,161,029
Total deductions from revenue	<u>226,228,338</u>	<u>209,855,342</u>
Net patient service revenue	<u>\$ 472,694,148</u>	<u>\$ 466,168,160</u>

### 3. ASSETS WHOSE USE IS LIMITED

The classification "Assets whose use is limited" includes:

Internally designated – Amounts transferred by MHP's Board of Trustees through funding depreciation expense. Such amounts are to be used for equipment and building, remodeling, repairing, replacing or making additions to MHP buildings as authorized by Indiana Code 16-22-3-13.

Held by trustee for construction – Amounts deposited with a trustee and limited to use in accordance with the requirements of a trust indenture and funds from long-term debt borrowings to be expended for capital.

Restricted – Amounts designated by outside parties for other specific purposes. Assets whose use is limited that are required for obligations classified as current liabilities are reported in current assets.

## MAJOR HEALTH PARTNERS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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The composition of assets whose use is limited includes the following as of December 31:

	2019	2018
Internally designated		
Cash and cash equivalents	\$ 62,169,458	\$ 65,081,243
Certificates of deposit	501,133	1,032,430
US Government securities	29,357,387	28,083,907
Mutual funds	115,775,927	61,384,344
Corporate equity securities	1,683,391	1,928,813
Corporate debt securities	250,231	398,230
Total internally designated	<u>209,737,527</u>	<u>157,908,967</u>
Held by trustee for construction		
Money market mutual funds	13,487,089	2,011,889
Certificates of deposit	-0-	17,000,000
Total held by trustee for construction	<u>13,487,089</u>	<u>19,011,889</u>
Donor restricted		
Cash and cash equivalents	172,759	81,230
Certificates of deposit	-0-	248,028
US Government securities	297,972	56,980
Mutual funds	923,571	594,307
Corporate equity securities	1,932,829	1,686,607
Corporate debt securities	287,309	348,224
Total donor restricted	<u>3,614,440</u>	<u>3,015,376</u>
Total assets whose use is limited	<u>\$ 226,839,056</u>	<u>\$ 179,936,232</u>

The corporate debt and equity securities are owned by the Foundation.

#### 4. DEPOSITS AND INVESTMENTS

Deposits with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

Investments are carried at fair market value except for certificates of deposit and money market deposit funds which are carried at contract value. Net realized gains and losses on security transactions are determined on the specific identification cost basis.

MHP's investments generally are reported at fair value, as discussed in Note 1. As of December 31, 2019 and 2018, MHP had the following investments and maturities, all of which were held in MHP's name by custodial banks that are agents of MHP:

## MAJOR HEALTH PARTNERS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

	December 31, 2019				
	Investment Maturities (in years)				
	Carrying Amount	Less than 1	1-5	6-10	More than 10
US Government securities	\$ 29,655,359	\$ 97,870	\$ 22,040,014	\$ 6,556,003	\$ 961,472
Certificates of deposit	501,133	501,133	0-	0-	0-
Mutual funds	116,699,498	116,699,498	0-	0-	0-
Money market mutual funds	13,487,089	13,487,089	0-	0-	0-
Corporate equity securities	3,616,220	3,616,220	0-	0-	0-
Corporate debt securities	537,540	0-	403,716	95,765	38,059
	<u>\$ 164,496,839</u>	<u>\$ 134,401,810</u>	<u>\$ 22,443,730</u>	<u>\$ 6,651,768</u>	<u>\$ 999,531</u>

  

	December 31, 2018				
	Investment Maturities (in years)				
	Carrying Amount	Less than 1	1-5	6-10	More than 10
US Government securities	\$ 28,140,887	\$ 2,977,973	\$ 18,096,486	\$ 6,086,195	\$ 980,233
Certificates of deposit	18,280,458	18,280,458	0-	0-	0-
Mutual funds	61,978,651	61,978,651	0-	0-	0-
Money market mutual funds	2,011,889	2,011,889	0-	0-	0-
Corporate equity securities	3,615,420	3,615,420	0-	0-	0-
Corporate debt securities	746,454	0-	561,417	128,060	56,977
	<u>\$ 114,773,759</u>	<u>\$ 88,864,391</u>	<u>\$ 18,657,903</u>	<u>\$ 6,214,255</u>	<u>\$ 1,037,210</u>

*Interest rate risk* - MHP does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

*Credit risk* - Statutes authorize MHP to invest in interest bearing deposit accounts, passbook savings accounts, certificates of deposit, money market deposit accounts, mutual funds, pooled fund investments, securities backed by the full faith and credit of the United States Treasury and repurchase agreements. The statutes require that repurchase agreements be fully collateralized by US Government or US Government Agency obligations.

*Concentration of credit risk* - MHP places no limit on the amount it may invest in any one issuer. MHP maintains its investments, which at times may exceed federally insured limits. MHP has not experienced any losses in such accounts. MHP believes that it is not exposed to any significant credit risk on investments. MHP does not have a formal policy for credit and concentration risk.

## MAJOR HEALTH PARTNERS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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Deposits and investments consist of the following as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Carrying amount		
Deposits	\$ 83,520,032	\$ 92,753,125
Investments	164,496,839	114,773,759
	<u>\$ 248,016,871</u>	<u>\$ 207,526,884</u>
Included in the balance sheet captions		
Cash	\$ 21,177,815	\$ 27,590,652
Internally designated	209,737,527	157,908,967
Held by trustee for construction	13,487,089	19,011,889
Restricted funds	3,614,440	3,015,376
	<u>\$ 248,016,871</u>	<u>\$ 207,526,884</u>

#### 5. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that MHP has the ability to access.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.



## MAJOR HEALTH PARTNERS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019 and 2018.

- *Money market mutual funds:* Generally transact subscription and redemption activity at a \$1 stable net asset value (NAV); however, on a daily basis the funds are valued at their daily NAV calculated using the amortized cost of the securities held in the fund.
- *U.S. government securities:* Valued using pricing models maximizing the use of observable inputs for similar securities.
- *Mutual funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by MHP are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by MHP are deemed to be actively traded.
- *Corporate equity securities:* Valued at the closing price reported on the active market on which the individual securities are traded.
- *Corporate debt securities:* Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

MHP's policy is to recognize transfers between levels as of the end of the reporting period. There were no significant transfers between levels during 2019 and 2018.

## MAJOR HEALTH PARTNERS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

The following table sets forth by level, within the hierarchy, MHP's assets and liabilities measured at fair value on a recurring basis as of December 31, 2019.

	December 31, 2019			
	Total	Level 1	Level 2	Level 3
<b>Assets</b>				
Assets whose use is limited				
Money market mutual funds	\$ 13,487,089	\$ -0-	\$ 13,487,089	\$ -0-
US Government securities				
US treasury notes	16,429,817	-0-	16,429,817	-0-
Federal home loan bank	6,622,068	-0-	6,622,068	-0-
Mortgage backed securities	6,603,474	-0-	6,603,474	-0-
Total US Government securities	29,655,359	-0-	29,655,359	-0-
Mutual funds				
Large blend	41,362,729	41,362,729	-0-	-0-
Small blend	11,330,658	11,330,658	-0-	-0-
Large growth	33,761,724	33,761,724	-0-	-0-
Mid value	13,023,010	13,023,010	-0-	-0-
Other	17,221,377	17,221,377	-0-	-0-
Total mutual funds	116,699,498	116,699,498	-0-	-0-
Corporate equity securities				
Basic industries	402,304	402,304	-0-	-0-
Consumer	479,175	479,175	-0-	-0-
Finance	516,180	516,180	-0-	-0-
Healthcare	421,943	421,943	-0-	-0-
Services	320,356	320,356	-0-	-0-
Technology	617,016	617,016	-0-	-0-
Other	859,246	859,246	-0-	-0-
Total corporate equity securities	3,616,220	3,616,220	-0-	-0-
Corporate debt securities				
Financial services	383,488	-0-	383,488	-0-
Other	154,052	-0-	154,052	-0-
Total corporate debt securities	537,540	-0-	537,540	-0-
	163,995,706	<u>\$ 120,315,718</u>	<u>\$ 43,679,988</u>	<u>\$ -0-</u>
Cash and cash equivalents	62,342,217			
Certificates of deposit	501,133			
Total assets whose use is limited	<u>\$ 226,839,056</u>			

## MAJOR HEALTH PARTNERS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

The following table sets forth by level, within the hierarchy, MHP's assets and liabilities measured at fair value on a recurring basis as of December 31, 2018.

	December 31, 2018			
	Total	Level 1	Level 2	Level 3
<b>Assets</b>				
Assets whose use is limited				
Money market mutual funds	\$ 2,011,889	\$ -0-	\$ 2,011,889	\$ -0-
US Government securities				
US treasury notes	22,648,131	-0-	22,648,131	-0-
Federal home loan bank	3,954,311	-0-	3,954,311	-0-
Mortgage backed securities	1,538,445	-0-	1,538,445	-0-
Total US Government securities	28,140,887	-0-	28,140,887	-0-
Mutual funds				
Fixed income	6,129,722	6,129,722	-0-	-0-
Large blend	32,949,283	32,949,283	-0-	-0-
Small blend	6,995,615	6,995,615	-0-	-0-
Large growth	7,471,363	7,471,363	-0-	-0-
Mid value	7,241,901	7,241,901	-0-	-0-
Other	1,190,767	1,190,767	-0-	-0-
Total mutual funds	61,978,651	61,978,651	-0-	-0-
Corporate equity securities				
Basic industries	400,289	400,289	-0-	-0-
Consumer	573,546	573,546	-0-	-0-
Finance	507,895	507,895	-0-	-0-
Healthcare	420,179	420,179	-0-	-0-
Services	270,661	270,661	-0-	-0-
Technology	635,515	635,515	-0-	-0-
Other	807,335	807,335	-0-	-0-
Total corporate equity securities	3,615,420	3,615,420	-0-	-0-
Corporate debt securities				
Financial services	493,622	-0-	493,622	-0-
Other	252,832	-0-	252,832	-0-
Total corporate debt securities	746,454	-0-	746,454	-0-
	96,493,301	<u>\$ 65,594,071</u>	<u>\$ 30,899,230</u>	<u>\$ -0-</u>
Cash and cash equivalents	65,162,473			
Certificates of deposit	18,280,458			
Total assets whose use is limited	<u>\$ 179,936,232</u>			

## MAJOR HEALTH PARTNERS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

#### 6. RESTRICTED NON-EXPENDABLE NET POSITION

MHP, through the Foundation and noncontrolling interest, has restricted non-expendable net position. Unless a contributor provides specific instructions, the Foundation's governing board is permitted to expend the net appreciation (realized and unrealized) of the investments in its endowments. When administering its power to spend net appreciation, the governing board is required to consider the Foundation's and supported organization's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions. Any net appreciation that is spent is required to be spent for the purposes designated by the contributor. The Foundation's governing board chooses to spend the investment income (including changes in the value of investments) under the established investment policy.

Restricted non-expendable net position as of December 31, 2019 and 2018, represent the principal amounts of permanent endowments, restricted to investment in perpetuity, as well as the noncontrolling interest in majority owned subsidiaries. Investment earnings from the Foundation's permanent endowments are expendable to support the programs as established by the contributors.

The following is a summary of the restricted non-expendable net position as of December 31, 2019 and 2018:

	2019	2018
Compton endowment	\$ 521,714	\$ 521,714
McFadden endowment	333,133	333,133
Benessee endowment	877,664	877,664
Una Vie endowment	877,664	877,664
Noncontrolling interest	1,050,695	(421,475)
	\$ 3,660,870	\$ 2,188,700

The following table depicts the changes in consolidated net position attributable to the controlling financial interest of MHP and the noncontrolling interest.

	Controlling interest	Noncontrolling interest	Total
Balance, December 31, 2017	\$ 229,549,202	\$ (238,310)	\$ 229,310,892
Excess (deficit) of revenues over expenses	21,074,333	(2,703,799)	18,370,534
Transfers	(219,829)	2,520,634	2,300,805
Balance, December 31, 2018	250,403,706	(421,475)	249,982,231
Excess (deficit) of revenues over expenses	44,007,522	(1,411,889)	42,595,633
Transfers	-0-	2,884,059	2,884,059
Change in net position	44,007,522	1,472,170	45,479,692
Balance, December 31, 2019	\$ 294,411,228	\$ 1,050,695	\$ 295,461,923

## MAJOR HEALTH PARTNERS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

#### 7. CAPITAL ASSETS

##### Capital Assets, Net

A summary of property and equipment, including assets under capital leases for 2019 and 2018 follows:

	December 31, 2018	Additions	Disposals	Transfers	December 31, 2019
Land and land improvements	\$ 14,779,899	\$ 169,797	\$ -0-	\$ 835,899	\$ 15,785,595
Leasehold improvements	10,705,429	1,250,183	-0-	-0-	11,955,612
Buildings and improvements	110,262,147	26,277	-0-	5,119,360	115,407,784
Equipment	66,863,016	2,330,357	(1,330,109)	9,805,951	77,669,215
Construction in progress	6,745,542	10,111,182	-0-	(15,761,210)	1,095,514
Total property and equipment	<u>209,356,033</u>	<u>13,887,796</u>	<u>(1,330,109)</u>	<u>-0-</u>	<u>221,913,720</u>
Less accumulated depreciation					
Land improvements	3,448,294	595,931	-0-	-0-	4,044,225
Leasehold improvements	602,859	133,684	-0-	-0-	736,543
Buildings and improvements	14,320,793	5,453,745	-0-	-0-	19,774,538
Equipment	36,351,672	6,925,467	(1,299,841)	-0-	41,977,298
Total accumulated depreciation	<u>54,723,618</u>	<u>13,108,827</u>	<u>(1,299,841)</u>	<u>-0-</u>	<u>66,532,604</u>
Capital assets, net	<u>\$ 154,632,415</u>	<u>\$ 778,969</u>	<u>\$ (30,268)</u>	<u>\$ -0-</u>	<u>\$ 155,381,116</u>

  

	December 31, 2017	Additions	Disposals	Transfers	December 31, 2018
Land and land improvements	\$14,646,018	\$ 41,566	\$ (71,353)	\$ 163,668	\$ 14,779,899
Leasehold improvements	7,166,065	3,234,865	(4,897)	309,396	10,705,429
Buildings and improvements	105,293,847	195,029	-0-	4,773,271	110,262,147
Equipment	61,665,961	5,140,840	(109,714)	165,929	66,863,016
Construction in progress	3,904,451	8,253,355	-0-	(5,412,264)	6,745,542
Total property and equipment	<u>192,676,342</u>	<u>16,865,655</u>	<u>(185,964)</u>	<u>-0-</u>	<u>209,356,033</u>
Less accumulated depreciation					
Land improvements	2,853,953	599,676	(5,335)	-0-	3,448,294
Leasehold improvements	480,619	125,493	(3,253)	-0-	602,859
Buildings and improvements	9,275,710	5,045,083	-0-	-0-	14,320,793
Equipment	29,490,480	6,931,658	(70,466)	-0-	36,351,672
Total accumulated depreciation	<u>42,100,762</u>	<u>12,701,910</u>	<u>(79,054)</u>	<u>-0-</u>	<u>54,723,618</u>
Capital assets, net	<u>\$ 150,575,580</u>	<u>\$ 4,163,745</u>	<u>\$ (106,910)</u>	<u>\$ -0-</u>	<u>\$ 154,632,415</u>

As of December 31, 2019, MHP had approximately \$20 million in construction commitments related to the construction of a wellness facility.

## MAJOR HEALTH PARTNERS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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#### Property Held for Investment

MHP currently holds approximately 40 acres of land available for sale. The land is located in the Intelliplex Park where the Hospital's Cancer Center is located. The land is valued at cost plus improvements and will be sold in lots in varying size. Land held for investment is included within the property held for investment section of the consolidated balance sheets.

#### **8. LONG TERM DEBT**

A summary of long term debt as of December 31, 2019 is as follows:

- Indiana Finance Authority Hospital Revenue Bonds, Series 2009 in the original aggregate principal amount of \$30,000,000, were issued during 2009, to finance or refinance various health care facilities. On June 23, 2009, a financial institution purchased from the Indiana Finance Authority all of the Series 2009 Bonds in a private placement. On December 5, 2014, the Series 2009 Bonds were assigned to another financial institution. The Series 2009 Bonds bear interest at a variable rate, adjusted monthly, equal to the lesser of (a) 12% per annum or (b) a rate equal to the sum of (i) 67% of one month LIBOR plus (ii) 0.98% (rate as of December 31, 2019 – 2.67%). The Series 2009 Bonds may be, at the option of the Hospital, converted to another interest rate mode and remarketed to another bondholder or holders. The Series 2009 Bonds are subject to mandatory tender and purchase on December 1, 2024 (Tender Date). If the Series 2009 Bonds cannot be remarketed on the Tender Date, the Hospital would be required to purchase the Series 2009 Bonds at a price equal to the remaining principal amount of the Series 2009 Bonds. The Series 2009 Bonds are secured by certain revenues of the Hospital which approximated \$160,000,000. The Series 2009 Bonds mature in monthly installments through December 1, 2024, interest only payments beginning January 1, 2025 through December 1, 2033, and a principal balloon payment on December 1, 2034 (final maturity).
- Indiana Finance Authority Hospital Revenue Bonds, Series 2014A, in the original principal amount of \$53,505,000, were issued during 2014 for construction of a replacement acute care hospital. The Series 2014A Bonds bear fixed interest at rates ranging from 3.50% to 5.00%, payable semiannually on April 1 and October 1 of each year. Principal payments due in annual installments on October 1 of each year, from October 1, 2017, through October 1, 2044 (final maturity). The Series 2014A Bonds are secured by certain revenues of the Hospital similar to the Series 2009 Bonds, as well as a mortgage on certain real estate, building and improvements comprising the replacement acute care hospital. The net book value of this collateral as of December 31, 2019 approximated \$100,000,000.

## MAJOR HEALTH PARTNERS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

- Indiana Finance Authority Hospital Revenue Bonds, Series 2018, in the original principal amount of \$25,000,000, were issued during 2018 for construction of a wellness center, the installation of a new electronic health records system, and for use on other various projects. On November 1, 2018, a financial institution purchased from the Indiana Finance Authority all of the Series 2018 Bonds in a private placement. The Series 2018 Bonds bear fixed interest at a rate of 3.865% through December 1, 2028, payable semiannually on June 1 and December 1 of each year. The Series 2018 Bonds are subject to mandatory tender and purchase on December 1, 2028 (Tender Date). If the Series 2018 Bonds cannot be remarketed on the Tender Date, the Hospital would be required to purchase the Series 2018 Bonds at a price equal to the remaining principal amount of the Series 2018 Bonds. Principal payments due in annual installments on December 1 of each year, from December 1, 2019, through December 1, 2028. The Series 2018, interest only payments beginning January 1, 2029 through December 1, 2043 (final maturity). Bonds are secured by certain revenues of the Hospital similar to the Series 2009 Bonds, as well as a mortgage on certain real estate, building and improvements. The net book value of this collateral as of December 31, 2019 approximated \$100,000,000.

The revenue bonds require the Hospital to maintain certain financial ratios. As of December 31, 2019, the Hospital was in compliance with the financial ratios.

The following is a progression for long term debt for 2019 and 2018:

	December 31, 2018	Additional Borrowings	Payments	December 31, 2019	Current Portion
Revenue bonds					
2009 Bonds	\$ 21,556,664	\$ -0-	\$ (1,120,029)	\$ 20,436,635	\$ 1,153,634
2014A Bonds	51,465,000	-0-	(1,085,000)	50,380,000	1,125,000
2018 Bonds	25,000,000	-0-	(140,000)	24,860,000	145,000
	98,021,664	\$ -0-	\$ (2,345,029)	95,676,635	\$ 2,423,634
Unamortized bond premium	2,007,435			1,929,476	
Total long term debt	\$ 100,029,099			\$ 97,606,111	
	December 31, 2017	Additional Borrowings	Payments	December 31, 2018	Current Portion
Revenue bonds					
2009 Bonds	\$ 22,643,684	\$ -0-	\$ (1,087,020)	\$ 21,556,664	\$ 1,120,029
2014A Bonds	52,505,000	-0-	(1,040,000)	51,465,000	1,085,000
2018 Bonds	-0-	25,000,000	-0-	25,000,000	140,000
	75,148,684	\$ 25,000,000	\$ (2,127,020)	\$ 98,021,664	\$ 2,345,029
Unamortized bond premium	2,085,393			2,007,435	
Total long term debt	\$ 77,234,077			\$ 100,029,099	

## MAJOR HEALTH PARTNERS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

Scheduled principal and interest repayments on long term debt for the years succeeding December 31, 2019 are as follows:

Years Ending December 31,	Principal	Interest	Total Payments
2020	\$ 2,423,634	\$ 3,842,614	\$ 6,209,985
2021	2,506,788	3,761,383	6,218,183
2022	2,597,332	3,677,242	6,227,944
2023	2,699,508	3,577,748	6,234,086
2024	17,223,272	6,822,281	24,045,553
2025-2029	31,715,000	22,979,390	54,694,390
2030-2034	9,520,000	8,019,664	17,539,664
2035-2039	11,905,000	5,640,250	17,545,250
2040-2044	15,086,101	2,351,500	17,437,601
	<u>\$ 95,676,635</u>	<u>\$ 60,672,072</u>	<u>\$ 156,152,656</u>

#### 9. ACCOUNTS RECEIVABLE AND PAYABLE

Patient accounts receivable and accounts payable (including accrued expenses) reported as current assets and liabilities as of December 31, 2019 and 2018 is as follows:

	2019	2018
Patient accounts receivable		
Receivable from patients and their insurance carriers	\$ 25,282,497	\$ 19,966,888
Receivable from Medicare	17,697,748	12,528,244
Receivable from Medicaid	7,584,749	6,655,629
Receivables related to long-term care operations	44,904,415	55,394,358
Total patient accounts receivable	95,469,409	94,545,119
Less contractual allowances	(29,153,825)	(22,215,431)
Less allowance for uncollectible amounts	(11,687,461)	(17,444,302)
Patient accounts receivable, net	\$ 54,628,123	\$ 54,885,386
Accounts payable and accrued expenses		
Payable to employees (including payroll taxes and benefits)	\$ 12,859,205	\$ 11,966,105
Payable to suppliers and other accrued expenses	92,536,177	92,391,837
Total accounts payable and accrued expenses	\$ 105,395,382	\$ 104,357,942



## MAJOR HEALTH PARTNERS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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#### 10. PENSION PLAN

##### Plan Description

MHP has a defined contribution pension plan as authorized by IC 16-22-3-11. The plan is administered by MHP and provides retirement, disability and death benefits to plan members and beneficiaries. The plan was established by written agreement between the Board of Trustees and the Plan Administrator. Milliman, Inc. is the third party administrator for the plan. Charles Schwab Company is the trustee of the plan. The Plan Administrator issues a publicly available financial report that includes financial statements and required supplementary information of the plan. The report is available by contacting MHP's accounting department.

##### Funding Policy

The contribution requirements of plan members are established by the written agreement between MHP's Board of Trustees and the plan administrator. The current employer contribution rate is 7% of annual covered payroll. Employer contributions to the plan for 2019 and 2018 were approximately \$3,088,000 and \$3,155,000, respectively. Employees are not permitted to contribute to the plan.

#### 11. CONCENTRATIONS OF CREDIT RISK

MHP is located in Shelbyville, Indiana. MHP grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. Concentrations of acute care accounts receivable and gross revenue from patients and third party payors are as follows as of December 31:

	Receivables		Revenues	
	2019	2018	2019	2018
Medicare	35%	32%	43%	44%
Medicaid	15%	17%	19%	19%
Anthem	17%	16%	17%	16%
Other third party payors	24%	26%	18%	18%
Self-pay	9%	9%	3%	3%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Substantially all of the patient accounts receivables and related revenues from long-term care operations are concentrated in Medicare and Medicaid.

## MAJOR HEALTH PARTNERS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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#### 12. ESTIMATED MALPRACTICE COSTS

MHP has a self-insurance plan for professional liability insurance. A third-party claims administrator has been retained to process all benefit claims. Claims are processed and presented for payment upon occurrence. MHP makes periodic deposits into a trust fund for the proper administration and protection of the fund.

The Indiana Medical Malpractice Act, IC 34-18 (Act) provided a maximum recovery of \$1,650,000 for an occurrence of malpractice until June 30, 2019, and \$1,800,000 thereafter. The Act required MHP to maintain medical malpractice liability insurance in the amount of at least \$400,000 per occurrence (\$8,000,000 in the annual aggregate) until June 30, 2019. Starting July 1, 2019, the Act requires MHP to maintain medical malpractice liability insurance in the amount of at least \$500,000 per occurrence (\$10,000,000 in the annual aggregate). The Act also requires MHP to pay a surcharge to the State Patient's Compensation Fund (Fund). The Fund is used to pay medical malpractice claims in excess of per occurrence and the annual aggregate amounts as noted above, under certain terms and conditions. No accrual for possible losses attributable to incidents that may have occurred but that have not been identified has been made because the amount, if any, is not reasonably estimable. The Fund is on a claims-made basis and as long as this coverage is continuous or replaced with equivalent insurance, claims based on occurrences during its term but reported subsequently will be insured.

Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon MHP's claim experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

#### 13. RISK MANAGEMENT

##### Medical Benefits to Employees and Dependents

MHP is self-funded for medical and related health benefits provided to employees and their families. A stop/loss policy through commercial insurance covers individual claims in excess of \$250,000 per year. Provisions are also made for unexpected and unusual claims.

Claim expenditures and liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Self-funded health insurance and related expenses were approximately \$9,643,000 and \$10,986,000 in 2019 and 2018, respectively.

# MAJOR HEALTH PARTNERS

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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A progression of unpaid claims for 2019 and 2018 follows:

	2019	2018
Unpaid claims, beginning of year	\$ 1,705,000	\$ 1,705,000
Incurred claims and changes in estimates	9,643,104	10,985,560
Claim payments	(9,643,104)	(10,985,560)
Unpaid claims, end of year	\$ 1,705,000	\$ 1,705,000

### 14. RENTAL EXPENSE

MHP has leases expiring at various times through 2020. Leases that do not meet the criteria for capitalization are classified as operating leases with related rentals charged to operating as incurred. The majority of the leases are cancellable. Total rent expense for 2019 and 2018 was approximately \$34,800,000 and \$37,800,000, respectively.

### 15. COUNTY AND CITY ECONOMIC DEVELOPMENT

The Shelby County Council and City of Shelbyville Common Council each passed an ordinance pledging a portion of their share of economic development income tax (EDIT) for the purpose of land acquisition, construction and installation of public infrastructure improvements at the Shelbyville/Shelby County Advanced Technological Industrial Park. Shelby County, the City of Shelbyville, and the Hospital (a component unit of Shelby County) share administrative and financial responsibility for this project. The County and City have each pledged \$125,000 each calendar year through 2028 (or such earlier date as all outstanding bonds issued to finance or refinance the projects are defeased).

The Shelby County Council and City of Shelbyville Common Council each passed a resolution pledging a portion of their share of economic development income tax (EDIT) for the purpose of funding a warm water swimming pool at the wellness facility in Shelbyville, Indiana. The County and the City have each pledged \$1,575,000, due annually in payments ranging from \$100,000 to \$225,000 from 2020 through 2028.

The Hospital recognizes the amounts as revenue when received. A schedule of expected payments is as follows:

Years Ending December 31,	
2020	\$ 250,000
2021	450,000
2022	450,000
2023	450,000
2024	450,000
Thereafter	3,600,000
	\$ 5,650,000

# MAJOR HEALTH PARTNERS

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

### 16. BLENDED COMPONENT UNITS

MHP's consolidated financial statements include the accounts of its blended component units. Below is condensed financial information of the blended component units.

	2019			
	MedWorks	MMG	Foundation	Total
<b>Assets</b>				
Current assets	\$ 5,274,313	\$ 1,439,671	\$ 415,378	\$ 7,129,362
Capital assets	892,509	-0-	16,534	909,043
Due from Hospital	97,949	508,180	22,570	628,699
Other assets	3,852,151	-0-	7,116,313	10,968,464
Total assets	<u>\$ 10,116,922</u>	<u>\$ 1,947,851</u>	<u>\$ 7,570,795</u>	<u>\$ 19,635,568</u>
<b>Liabilities</b>				
Due to Hospital	\$ 1,330,177	\$ 113,912	\$ 18,449	\$ 1,462,538
Other liabilities	4,148,616	1,242,779	10,298	5,401,693
Total liabilities	<u>5,478,793</u>	<u>1,356,691</u>	<u>28,747</u>	<u>6,864,231</u>
<b>Net position</b>				
Net investment in capital assets	892,509	-0-	16,534	909,043
Restricted	814,231	236,464	3,614,440	4,665,135
Unrestricted	2,931,389	354,696	3,911,074	7,197,159
Total net position	<u>4,638,129</u>	<u>591,160</u>	<u>7,542,048</u>	<u>12,771,337</u>
Total liabilities and net position	<u>\$ 10,116,922</u>	<u>\$ 1,947,851</u>	<u>\$ 7,570,795</u>	<u>\$ 19,635,568</u>
<b>Revenues</b>				
Net patient service revenue	\$ 14,570,262	\$ (6,478)	\$ -0-	\$ 14,563,784
Other	3,970	5,154,314	710,195	5,868,479
Total revenues	<u>14,574,232</u>	<u>5,147,836</u>	<u>710,195</u>	<u>20,432,263</u>
<b>Expenses</b>				
Depreciation	168,925	(1,806)	3,271	170,390
Other expenses	20,509,396	7,931,611	2,078,336	30,519,343
Total expenses	<u>20,678,321</u>	<u>7,929,805</u>	<u>2,081,607</u>	<u>30,689,733</u>
Operating loss	(6,104,089)	(2,781,969)	(1,371,412)	(10,257,470)
Nonoperating revenues (expenses)	<u>334,361</u>	<u>-0-</u>	<u>1,285,286</u>	<u>1,619,647</u>
Excess (deficit) revenues over expenses	(5,769,728)	(2,781,969)	(86,126)	(8,637,823)
Transfers	<u>3,650,092</u>	<u>3,516,078</u>	<u>-0-</u>	<u>7,166,170</u>
Change in net position	(2,119,636)	734,109	(86,126)	(1,471,653)
<b>Net position</b>				
Beginning of year	6,757,765	(142,949)	7,628,174	14,242,990
End of year	<u>\$ 4,638,129</u>	<u>\$ 591,160</u>	<u>\$ 7,542,048</u>	<u>\$ 12,771,337</u>
<b>Net cash flows from</b>				
Operating activities	\$ (5,935,164)	\$ (2,783,775)	\$ (1,368,141)	\$ (10,087,080)
Capital and related financing activities	3,650,092	4,361,986	932,674	8,944,752
Investing activities	(525,895)	-0-	320,474	(205,421)
Total	<u>(2,810,967)</u>	<u>1,578,211</u>	<u>(114,993)</u>	<u>(1,347,749)</u>
<b>Cash and cash equivalents</b>				
Beginning of year	5,842,644	(142,949)	468,882	6,168,577
End of year	<u>\$ 3,031,677</u>	<u>\$ 1,435,262</u>	<u>\$ 353,889</u>	<u>\$ 4,820,828</u>

## MAJOR HEALTH PARTNERS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

	2018			
	MedWorks	MMG	Foundation	Total
<b>Assets</b>				
Current assets	\$ 7,743,107	\$ 661,529	\$ 1,051,846	\$ 9,456,482
Capital assets	956,152	-0-	19,805	975,957
Due from Hospital	9,094	432,470	22,135	463,699
Other assets	3,330,726	-0-	6,558,842	9,889,568
Total assets	<u>\$ 12,039,079</u>	<u>\$ 1,093,999</u>	<u>\$ 7,652,628</u>	<u>\$ 20,785,706</u>
<b>Liabilities</b>				
Due to Hospital	\$ 2,236,609	\$ 54,631	\$ 14,329	\$ 2,305,569
Other liabilities	3,044,705	1,182,317	10,125	4,237,147
Total liabilities	5,281,314	1,236,948	24,454	6,542,716
<b>Net position</b>				
Net investment in capital assets	956,152	-0-	19,805	975,957
Restricted	(364,295)	(57,180)	3,015,376	2,593,901
Unrestricted	6,165,908	(85,769)	4,592,993	10,673,132
Total net position	<u>6,757,765</u>	<u>(142,949)</u>	<u>7,628,174</u>	<u>14,242,990</u>
Total liabilities and net position	<u>\$ 12,039,079</u>	<u>\$ 1,093,999</u>	<u>\$ 7,652,628</u>	<u>\$ 20,785,706</u>
<b>Revenues</b>				
Net patient service revenue	\$ 14,656,207	\$ -0-	\$ -0-	\$ 14,656,207
Other	5,026,906	-0-	1,684,743	6,711,649
Total revenues	19,683,113	-0-	1,684,743	21,367,856
<b>Expenses</b>				
Depreciation	221,634	-0-	3,964	225,598
Other expenses	28,776,748	-0-	1,542,675	30,319,423
Total expenses	<u>28,998,382</u>	<u>-0-</u>	<u>1,546,639</u>	<u>30,545,021</u>
Operating income (loss)	(9,315,269)	-0-	138,104	(9,177,165)
Nonoperating revenues (expenses)	990,484	-0-	(377,049)	613,435
Excess (deficit) revenues over expenses	(8,324,785)	-0-	(238,945)	(8,563,730)
Transfers	11,807,122	(142,949)	-0-	11,664,173
Change in net position	3,482,337	(142,949)	(238,945)	3,100,443
<b>Net position</b>				
Beginning of year	3,275,428	-0-	7,867,119	11,142,547
End of year	<u>\$ 6,757,765</u>	<u>\$ (142,949)</u>	<u>\$ 7,628,174</u>	<u>\$ 14,242,990</u>
<b>Net cash flows from</b>				
Operating activities	\$ (9,093,635)	-0-	\$ 142,068	\$ (8,951,567)
Capital and related financing activities	11,807,122	638,852	(523,216)	11,922,758
Investing activities	119,926	-0-	221,524	341,450
Total	2,833,413	638,852	(159,624)	3,312,641
<b>Cash and cash equivalents</b>				
Beginning of year	3,009,231	-0-	628,506	3,637,737
End of year	<u>\$ 5,842,644</u>	<u>\$ 638,852</u>	<u>\$ 468,882</u>	<u>\$ 6,950,378</u>

The separate financial statements for each of the entities discussed above may be obtained through contacting management of MHP.

## MAJOR HEALTH PARTNERS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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#### 17. SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. The continued spread of COVID-19, or any similar outbreaks in the future, may adversely impact the local, regional, national and global economies. The extent to which COVID-19 impacts MHP's operating results is dependent on the breadth and duration of the pandemic and could be affected by other factors management is not currently able to predict. Potential impacts include, but are not limited to, additional costs for responding to COVID-19, shortages of healthcare personnel, shortages of clinical supplies, increased demand for services, delays, loss of, or reduction to, revenue and investment portfolio declines. Management believes MHP is taking appropriate actions to respond to the pandemic, however, the full impact is unknown and cannot be reasonably estimated at the date the consolidated financial statements were available to be issued.

Additionally, MHP has signed documents to enter into a new line of credit agreement with a local lender for \$40,000,000 to meet liquidity demands as needed. As of the date the consolidated financial statements were issued, the line of credit has not been through the closing process with the bank.

**SUPPLEMENTARY INFORMATION**

## MAJOR HEALTH PARTNERS

### CONSOLIDATING BALANCE SHEET DECEMBER 31, 2019

<b>ASSETS</b>	Hospital	MedWorks	MMG	Foundation	Eliminations	Total
<b>Current assets</b>						
Cash and cash equivalents	\$ 16,710,876	\$ 3,031,677	\$ 1,435,262	\$ -0-	\$ -0-	\$ 21,177,815
Patient accounts receivable, net	53,240,820	1,388,644	(1,341)	-0-	-0-	54,628,123
Inventory and other current assets	39,243,027	951,941	513,930	437,948	(2,066,460)	39,080,386
Current portion of assets whose use is limited	599,002	-0-	-0-	-0-	-0-	599,002
Total current assets	<u>109,793,725</u>	<u>5,372,262</u>	<u>1,947,851</u>	<u>437,948</u>	<u>(2,066,460)</u>	<u>115,485,326</u>
<b>Assets whose use is limited</b>						
Internally designated	206,235,654	-0-	-0-	3,501,873	-0-	209,737,527
Held by trustee for construction	13,487,089	-0-	-0-	-0-	-0-	13,487,089
Donor restricted funds	-0-	-0-	-0-	3,614,440	-0-	3,614,440
Total assets whose use is limited	<u>219,722,743</u>	<u>-0-</u>	<u>-0-</u>	<u>7,116,313</u>	<u>-0-</u>	<u>226,839,056</u>
Less current portion	599,002	-0-	-0-	-0-	-0-	599,002
Noncurrent assets whose use is limited	<u>219,123,741</u>	<u>-0-</u>	<u>-0-</u>	<u>7,116,313</u>	<u>-0-</u>	<u>226,240,054</u>
<b>Capital assets, net</b>	154,472,073	892,509	-0-	16,534	-0-	155,381,116
<b>Property held for sale</b>	1,926,460	-0-	-0-	-0-	-0-	1,926,460
<b>Other assets</b>	1,213,333	3,852,151	-0-	-0-	(354,696)	4,710,788
Total assets	<u>\$ 486,529,332</u>	<u>\$ 10,116,922</u>	<u>\$ 1,947,851</u>	<u>\$ 7,570,795</u>	<u>\$ (2,421,156)</u>	<u>\$ 503,743,744</u>

See report of independent auditors on pages 1 and 2.



## MAJOR HEALTH PARTNERS

### CONSOLIDATING BALANCE SHEET DECEMBER 31, 2019

<b>LIABILITIES AND NET POSITION</b>	Hospital	MedWorks	MMG	Foundation	Eliminations	Total
<b>Current liabilities</b>						
Accounts payable and accrued expenses	\$ 92,600,973	\$ 1,857,380	\$ 119,563	\$ 24,721	\$ (2,066,460)	\$ 92,536,177
Accrued wages and related liabilities	10,076,966	1,541,085	1,237,128	4,026	-0-	12,859,205
Estimated third-party settlements	3,200,000	-0-	-0-	-0-	-0-	3,200,000
Current portion of long-term debt						
Revenue bonds payable	2,423,634	-0-	-0-	-0-	-0-	2,423,634
Total current liabilities	108,301,573	3,398,465	1,356,691	28,747	(2,066,460)	111,019,016
<b>Other liabilities</b>	-0-	2,080,328	-0-	-0-	-0-	2,080,328
<b>Long term debt, net of current portion</b>						
Revenue bonds payable	95,182,477	-0-	-0-	-0-	-0-	95,182,477
Total long term debt	95,182,477	-0-	-0-	-0-	-0-	95,182,477
Total liabilities	203,484,050	5,478,793	1,356,691	28,747	(2,066,460)	208,281,821
<b>Net position</b>						
Net investment in capital assets	70,353,051	892,509	-0-	16,534	-0-	71,262,094
Restricted						
Expendable - other specific purpose	-0-	-0-	-0-	1,004,265	-0-	1,004,265
Non-expendable	-0-	814,231	236,464	2,610,175	-0-	3,660,870
Total restricted net position	-0-	814,231	236,464	3,614,440	-0-	4,665,135
Unrestricted	212,692,231	2,931,389	354,696	3,911,074	(354,696)	219,534,694
Total net position	283,045,282	4,638,129	591,160	7,542,048	(354,696)	295,461,923
Total liabilities and net position	\$ 486,529,332	\$ 10,116,922	\$ 1,947,851	\$ 7,570,795	\$ (2,421,156)	\$ 503,743,744

See report of independent auditors on pages 1 and 2.

## MAJOR HEALTH PARTNERS

### CONSOLIDATING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION YEAR ENDED DECEMBER 31, 2019

	Hospital	MedWorks	MMG	Foundation	Eliminations	Total
<b>Revenue</b>						
Net patient service revenue	\$458,497,642	\$ 14,570,262	\$ (6,478)	\$ -0-	\$ (367,278)	\$472,694,148
Other	5,458,797	3,970	5,154,314	710,195	(6,476,605)	4,850,671
Total revenue	463,956,439	14,574,232	5,147,836	710,195	(6,843,883)	477,544,819
<b>Expenses</b>						
Salaries and wages	54,088,977	10,200,380	6,351,172	131,475	-0-	70,772,004
Employee benefits	14,962,639	2,608,157	1,272,039	9,786	-0-	18,852,621
Medical professional fees	8,713,686	-0-	-0-	-0-	(5,154,314)	3,559,372
Supplies	19,123,327	5,180,554	-0-	-0-	(137,299)	24,166,582
Purchased services	272,924,114	1,245,973	13,678	-0-	(1,097,738)	273,086,027
Rent and maintenance	38,116,630	820,400	-0-	-0-	(450,344)	38,486,686
Utilities	1,368,115	28,201	37,380	-0-	-0-	1,433,696
Insurance	851,543	217,406	191,796	-0-	-0-	1,260,745
Depreciation and amortization	13,053,243	168,925	(1,806)	3,271	-0-	13,223,633
HAF and HIP program fee	5,405,543	-0-	-0-	-0-	-0-	5,405,543
Other expenses	3,860,447	208,325	65,546	1,937,075	(531,025)	5,540,368
Total expenses	432,468,264	20,678,321	7,929,805	2,081,607	(7,370,720)	455,787,277
Operating income (loss)	31,488,175	(6,104,089)	(2,781,969)	(1,371,412)	526,837	21,757,542
<b>Nonoperating revenues (expenses)</b>						
Investment income	21,816,445	-0-	-0-	1,285,286	(26,837)	23,074,894
Interest expense	(3,076,681)	-0-	-0-	-0-	-0-	(3,076,681)
Other nonoperating revenues (expenses)	1,445,982	334,361	-0-	-0-	(940,465)	839,878
Nonoperating revenues (expenses), net	20,185,746	334,361	-0-	1,285,286	(967,302)	20,838,091
Revenues over (under) expenses	51,673,921	(5,769,728)	(2,781,969)	(86,126)	(440,465)	42,595,633
<b>Transfers (to) from</b>	(4,282,111)	3,650,092	3,516,078	-0-	-0-	2,884,059
Change in net position	47,391,810	(2,119,636)	734,109	(86,126)	(440,465)	45,479,692
<b>Net position</b>						
Beginning of year	235,653,472	6,757,765	(142,949)	7,628,174	85,769	249,982,231
End of year	\$283,045,282	\$ 4,638,129	\$ 591,160	\$ 7,542,048	\$ (354,696)	\$295,461,923

See report of independent auditors on pages 1 and 2.

## MAJOR HEALTH PARTNERS

### CONSOLIDATING BALANCE SHEET DECEMBER 31, 2018

<b>ASSETS</b>	Hospital	MedWorks	MMG	Foundation	Eliminations	Total
<b>Current assets</b>						
Cash and cash equivalents	\$ 21,109,156	\$ 5,842,644	\$ 638,852	\$ -0-	\$ -0-	\$ 27,590,652
Patient accounts receivable, net	53,933,471	934,988	16,927	-0-	-0-	54,885,386
Inventory and other current assets	37,207,948	974,569	438,220	1,051,846	(2,767,199)	36,905,384
Current portion of assets whose use is limited	2,345,029	-0-	-0-	-0-	-0-	2,345,029
Total current assets	114,595,604	7,752,201	1,093,999	1,051,846	(2,767,199)	121,726,451
<b>Assets whose use is limited</b>						
Internally designated	154,343,366	-0-	-0-	3,565,601	-0-	157,908,967
Held by trustee for construction	19,011,889	-0-	-0-	-0-	-0-	19,011,889
Donor restricted funds	-0-	-0-	-0-	3,015,376	-0-	3,015,376
Total assets whose use is limited	173,355,255	-0-	-0-	6,580,977	-0-	179,936,232
Less current portion	2,345,029	-0-	-0-	-0-	-0-	2,345,029
Noncurrent assets whose use is limited	171,010,226	-0-	-0-	6,580,977	-0-	177,591,203
<b>Capital assets, net</b>	153,656,458	956,152	-0-	19,805	-0-	154,632,415
<b>Property held for sale</b>	1,926,460	-0-	-0-	-0-	-0-	1,926,460
<b>Other assets</b>	881,939	3,330,726	-0-	-0-	85,769	4,298,434
Total assets	<u>\$ 442,070,687</u>	<u>\$ 12,039,079</u>	<u>\$ 1,093,999</u>	<u>\$ 7,652,628</u>	<u>\$ (2,681,430)</u>	<u>\$ 460,174,963</u>

See report of independent auditors on pages 1 and 2.

## MAJOR HEALTH PARTNERS

### CONSOLIDATING BALANCE SHEET DECEMBER 31, 2018

<b>LIABILITIES AND NET POSITION</b>	Hospital	MedWorks	MMG	Foundation	Eliminations	Total
<b>Current liabilities</b>						
Accounts payable and accrued expenses	\$ 92,509,054	\$ 2,549,018	\$ 80,536	\$ 20,428	\$ (2,767,199)	\$ 92,391,837
Accrued wages and related liabilities	9,662,430	1,143,237	1,156,412	4,026	-0-	11,966,105
Estimated third-party settlements	4,216,632	-0-	-0-	-0-	-0-	4,216,632
Current portion of long-term debt						
Revenue bonds payable	2,345,029	-0-	-0-	-0-	-0-	2,345,029
Total current liabilities	108,733,145	3,692,255	1,236,948	24,454	(2,767,199)	110,919,603
<b>Other liabilities</b>	-0-	1,589,059	-0-	-0-	-0-	1,589,059
<b>Long term debt, net of current portion</b>						
Revenue bonds payable	97,684,070	-0-	-0-	-0-	-0-	97,684,070
Total long term debt	97,684,070	-0-	-0-	-0-	-0-	97,684,070
Total liabilities	206,417,215	5,281,314	1,236,948	24,454	(2,767,199)	210,192,732
<b>Net position</b>						
Net investment in capital assets	72,639,248	956,152	-0-	19,805	-0-	73,615,205
Restricted						
Expendable - other specific purpose	-0-	-0-	-0-	405,201	-0-	405,201
Non-expendable	-0-	(364,295)	(57,180)	2,610,175	-0-	2,188,700
Total restricted net position	-0-	(364,295)	(57,180)	3,015,376	-0-	2,593,901
Unrestricted	163,014,224	6,165,908	(85,769)	4,592,993	85,769	173,773,125
Total net position	235,653,472	6,757,765	(142,949)	7,628,174	85,769	249,982,231
Total liabilities and net position	<u>\$ 442,070,687</u>	<u>\$ 12,039,079</u>	<u>\$ 1,093,999</u>	<u>\$ 7,652,628</u>	<u>\$ (2,681,430)</u>	<u>\$ 460,174,963</u>

See report of independent auditors on pages 1 and 2.

## MAJOR HEALTH PARTNERS

### CONSOLIDATING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION YEAR ENDED DECEMBER 31, 2018

	Hospital	MedWorks	MMG	Foundation	Eliminations	Total
<b>Revenue</b>						
Net patient service revenue	\$ 452,201,681	\$ 14,656,207	\$ -0-	\$ -0-	\$ (689,728)	\$ 466,168,160
Other	5,927,329	5,026,906	-0-	1,684,743	(6,809,789)	5,829,189
Total revenue	458,129,010	19,683,113	-0-	1,684,743	(7,499,517)	471,997,349
<b>Expenses</b>						
Salaries and wages	52,096,508	16,058,977	-0-	117,651	-0-	68,273,136
Employee benefits	16,110,215	3,989,926	-0-	8,800	-0-	20,108,941
Medical professional fees	8,492,252	-0-	-0-	-0-	(5,007,910)	3,484,342
Supplies	20,788,919	4,817,445	-0-	-0-	(541,359)	25,065,005
Purchased services	270,881,490	2,231,058	-0-	-0-	(1,425,758)	271,686,790
Rental and maintenance	37,426,050	894,372	-0-	-0-	(520,386)	37,800,036
Utilities	1,572,785	68,582	-0-	-0-	-0-	1,641,367
Insurance	755,273	398,621	-0-	-0-	-0-	1,153,894
Depreciation and amortization	12,591,118	221,634	-0-	3,964	-0-	12,816,716
HAF and HIP program fee	2,686,247	-0-	-0-	-0-	-0-	2,686,247
Other expenses	3,351,685	317,767	-0-	1,416,224	(816,104)	4,269,572
Total expenses	426,752,542	28,998,382	-0-	1,546,639	(8,311,517)	448,986,046
Operating income (loss)	31,376,468	(9,315,269)	-0-	138,104	812,000	23,011,303
<b>Nonoperating revenues (expenses)</b>						
Investment loss	(2,791,995)	-0-	-0-	(377,049)	73,769	(3,095,275)
Interest expense	(3,086,478)	-0-	-0-	-0-	-0-	(3,086,478)
Other nonoperating revenues (expenses)	1,350,500	990,484	-0-	-0-	(800,000)	1,540,984
Nonoperating revenues (expenses), net	(4,527,973)	990,484	-0-	(377,049)	(726,231)	(4,640,769)
Revenues over (under) expenses	26,848,495	(8,324,785)	-0-	(238,945)	85,769	18,370,534
<b>Transfers (to) from</b>	(9,363,368)	11,807,122	(142,949)	-0-	-0-	2,300,805
Change in net position	17,485,127	3,482,337	(142,949)	(238,945)	85,769	20,671,339
<b>Net position</b>						
Beginning of year	218,168,345	3,275,428	-0-	7,867,119	-0-	229,310,892
End of year	\$ 235,653,472	\$ 6,757,765	\$ (142,949)	\$ 7,628,174	\$ 85,769	\$ 249,982,231

See report of independent auditors on pages 1 and 2.