

**Goshen Health System, Inc.  
and Subsidiaries  
d/b/a Goshen Health**

Consolidated Financial Report  
December 31, 2023

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## Independent Auditor's Report

RSM US LLP

Board of Directors  
Goshen Health System, Inc.  
d/b/a Goshen Health

### Opinion

We have audited the consolidated financial statements of Goshen Health System, Inc. and Subsidiaries d/b/a Goshen Health (Goshen Health), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Goshen Health as of December 31, 2023 and 2022, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

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

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

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

In performing an audit in accordance with GAAS, we:

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

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

*RSM US LLP*

Mishawaka, Indiana  
March 18, 2024

**Goshen Health System, Inc. and Subsidiaries  
d/b/a Goshen Health**

**Consolidated Balance Sheets  
December 31, 2023 and 2022  
(In Thousands)**

	2023	2022
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 5,017	\$ 5,786
Assets limited as to use	32,148	4,801
Patient accounts receivable	38,712	33,999
Inventories	14,012	12,607
Prepaid expenses and other	15,811	12,216
<b>Total current assets</b>	<b>105,700</b>	<b>69,409</b>
Assets limited as to use, less current portion	<b>183,534</b>	210,304
Property and equipment:		
Cost of property and equipment in service	381,787	349,177
Less accumulated depreciation	188,770	173,795
	<b>193,017</b>	175,382
Construction in progress	5,914	19,315
Property held for future development	1,924	2,658
	<b>200,855</b>	197,355
Other assets:		
Finance lease right-of-use assets, net	5,904	2,543
Operating lease right-of-use assets, net	7,993	7,952
Other assets	2,453	2,638
	<b>16,350</b>	13,133
<b>Total assets</b>	<b>\$ 506,439</b>	<b>\$ 490,201</b>

(Continued)

**Goshen Health System, Inc. and Subsidiaries  
d/b/a Goshen Health**

**Consolidated Balance Sheets (Continued)  
December 31, 2023 and 2022  
(In Thousands)**

	2023	2022
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 24,301	\$ 26,320
Accrued salaries, wages and related liabilities	18,976	18,606
Estimated amounts due to third-party payors	300	300
Line of credit borrowings	13,159	11,529
Current portion of long-term debt	1,972	2,017
Current portion of finance lease liabilities	1,450	741
Current portion of operating lease liabilities	2,850	2,333
Due to investment broker	28,550	-
<b>Total current liabilities</b>	<b>91,558</b>	<b>61,846</b>
Noncurrent liabilities:		
Long-term debt, less current portion	77,284	79,642
Finance lease liabilities, less current portion	4,819	1,977
Operating lease liabilities, less current portion	5,683	5,690
Other	1,997	1,760
	<b>89,783</b>	<b>89,069</b>
<b>Total liabilities</b>	<b>181,341</b>	<b>150,915</b>
Net assets:		
Net assets without donor restrictions	321,479	333,667
Net assets with donor restrictions	3,619	5,619
	<b>325,098</b>	<b>339,286</b>
<b>Total liabilities and net assets</b>	<b>\$ 506,439</b>	<b>\$ 490,201</b>

See notes to consolidated financial statements.

**Goshen Health System, Inc. and Subsidiaries**  
**d/b/a Goshen Health**

**Consolidated Statements of Operations and Changes in Net Assets**  
**Years Ended December 31, 2023 and 2022**  
**(In Thousands)**

	2023	2022
Revenues:		
Patient service revenue	\$ 296,311	\$ 299,375
Other revenue	13,017	13,553
	<u>309,328</u>	<u>312,928</u>
Expenses:		
Salaries, wages and benefits	174,013	174,454
Supplies, drugs, purchased services and other	142,314	156,794
Hospital assessment fee	14,352	12,856
Depreciation and amortization	16,381	15,236
Interest	3,183	2,277
	<u>350,243</u>	<u>361,617</u>
<b>Operating loss</b>	<u>(40,915)</u>	(48,689)
Nonoperating income (loss):		
Investment income (loss), net	26,975	(44,990)
Other, net	(358)	169
	<u>26,617</u>	<u>(44,821)</u>
<b>Deficit of revenues over expenses</b>	<u>(14,298)</u>	(93,510)
Other changes in net assets without donor restrictions:		
Net assets released from restrictions for capital improvements	2,110	47
<b>Decrease in net assets without donor restrictions</b>	<u>(12,188)</u>	<u>(93,463)</u>
Changes in net assets with donor restrictions:		
Contributions	110	354
Net assets released from restrictions	(2,110)	(47)
<b>(Decrease) increase in net assets with donor restrictions</b>	<u>(2,000)</u>	<u>307</u>
<b>Decrease in net assets</b>	<u>(14,188)</u>	(93,156)
Net assets at beginning of year	<u>339,286</u>	432,442
Net assets at end of year	<u>\$ 325,098</u>	<u>\$ 339,286</u>

See notes to consolidated financial statements.

**Goshen Health System, Inc. and Subsidiaries**  
**d/b/a Goshen Health**

**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2023 and 2022**  
**(In Thousands)**

	2023	2022
Cash flows from operating activities:		
Decrease in net assets	\$ (14,188)	\$ (93,156)
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities:		
Amortization of deferred bond issuance costs and net premium	(380)	(380)
Depreciation and amortization	16,565	15,364
Reduction in operating lease right-of-use assets	3,172	2,871
Cash paid under operating leases	(2,703)	(2,801)
Change in value of trading securities	(7,039)	74,887
Changes in operating assets and liabilities:		
Patient accounts receivable	(4,713)	5,173
Prepaid expenses, inventories and other assets	(4,815)	(1,608)
Accounts payable, accrued expenses and other liabilities	(3,159)	4,063
Accrued salaries, wages and related liabilities	370	(2,520)
Medicare accelerated payments	-	(11,610)
Due to investment broker	28,550	-
<b>Net cash provided by (used in) operating activities</b>	<b>11,660</b>	<b>(9,717)</b>
Cash flows from investing activities:		
Purchase of property and equipment, net of disposals	(17,705)	(26,319)
Decrease in trustee-held bond proceeds	4,547	13,657
Decrease in investments held in escrow	1,965	3,116
<b>Net cash used in investing activities</b>	<b>(11,193)</b>	<b>(9,546)</b>
Cash flows from financing activities:		
Proceeds from line of credit borrowings	151,916	115,176
Repayments on line of credit borrowings	(150,286)	(103,647)
Repayments on long-term debt	(2,023)	(1,976)
Payments of finance lease obligations	(793)	(570)
<b>Net cash (used in) provided by financing activities</b>	<b>(1,186)</b>	<b>8,983</b>
<b>Decrease in cash, cash equivalents and restricted cash</b>	<b>(719)</b>	<b>(10,280)</b>
Cash, cash equivalents and restricted cash:		
Beginning of year	6,101	16,381
End of year	\$ 5,382	\$ 6,101
Supplemental disclosures of noncash operating and investing activities:		
Equipment purchases in accounts payable and accrued expenses	\$ 7,245	\$ 5,868
Operating lease right-of-use assets obtained from incurring lease liabilities	\$ 3,213	\$ 3,632
Finance lease right-of-use assets obtained from incurring lease liabilities	\$ 4,344	\$ 239

See notes to consolidated financial statements.

**Goshen Health System, Inc. and Subsidiaries  
d/b/a Goshen Health**

**Notes to Financial Statements  
(Dollars in Thousands)**

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**Mission Statement**

*The mission of Goshen Health is to improve the health of our communities by providing innovative, outstanding care and services, through exceptional people doing exceptional work.*

*Compassion – and commitment to service with empathy.*

*Accountability – with integrity and action.*

*Respect – through treating others as you wish to be treated.*

*Excellence – in all we do.*

*Building upon our mission and values, Goshen Health will be the trusted partner for care, inspiring health and wellness for all.*

**Note 1. Organization and Nature of Operations**

The accompanying consolidated financial statements represent the accounts of Goshen Health System, Inc. d/b/a Goshen Health and its various affiliated corporations under the control of Goshen Health. Goshen Health is an Indiana nonprofit corporation exempt from federal income tax under Internal Revenue Code (IRC) Section 501(a) as an organization described in Section 501(c)(3) and a public charity as described in Section 509(a)(3).

Goshen Health is the sole corporate member of the following entities:

- Goshen Hospital Association, Inc. d/b/a Goshen Hospital is a nonprofit, acute-care hospital servicing Goshen, Indiana, and surrounding communities in northern Indiana.
- Parkmor Drug, Inc. and Subsidiaries d/b/a Goshen Home Medical, a for-profit corporation, operates a home medical equipment business in Goshen, Indiana.
- Indiana Lakes Managed Care Organization, LLC, a for-profit organization, provides management services for managed care arrangements entered into by Goshen Health and third parties.
- Goshen Health Surgery Center, LLC, a for-profit organization, is an outpatient surgery center in Goshen, Indiana.
- Goshen Health Foundation, Inc. (Foundation), a nonprofit organization, is a philanthropic organization committed to partnering with individuals and organizations to address the community health needs of Goshen, Indiana, and its surrounding communities.

**Note 2. Community Benefit and Charity Care**

Goshen Health provides health care services and other financial support through various programs that are designed, among other matters, to enhance the health of the community. In addition, Goshen Health provides services intended to benefit the poor and underserved, including those persons who cannot afford health insurance because of inadequate resources or those who are uninsured or underinsured. Health care services to patients under government programs, such as Medicare and Medicaid, are also considered part of Goshen Health's benefit provided to the community since a substantial portion of such services are reimbursed at amounts less than cost.

**Goshen Health System, Inc. and Subsidiaries  
d/b/a Goshen Health**

**Notes to Financial Statements  
(Dollars in Thousands)**

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**Note 2. Community Benefit and Charity Care (Continued)**

Goshen Health's financial assistance policies are designed to provide care to patients regardless of their ability to pay, and all uninsured patients are eligible for discounts from established charges. Patients who meet certain criteria (generally based on up to 400% of federal poverty income guidelines and other patients who are victims of certain catastrophic events) are provided care without charge or at amounts less than established rates.

The amount of charity care provided is determined based on the qualifying criteria, as defined in the financial assistance policies, through approved applications completed by patients and their families or beneficiaries. Eligibility may also be determined based on analysis of patients without third-party insurance coverage who did not apply for charity and whose income was equal to or less than 200% of federal poverty income guidelines. No payment for services is anticipated for those patients whose charity care applications have been approved, as well as for those other patients whose income is equal to, or less than 200% of federal poverty income guidelines and who meet certain other criteria. The cost to provide charity care, estimated by applying the consolidated cost to charge ratio to charges foregone for charity care, was \$2,191 and \$2,499 for the years ended December 31, 2023 and 2022, respectively.

For uninsured patients who do not qualify for charity care, revenue is recognized on the basis of charges reduced by implicit price concessions in accordance with an uninsured discount policy. Patients who meet Goshen Health's criteria for charity care are provided care without charges and such amounts are not reported as revenue.

In addition, Goshen Health provides a significant amount of uncompensated care to other uninsured and underinsured patients, which is included as a direct reduction of patient service revenue.

Enacted March 23, 2010, the Patient Protection and Affordable Care Act (ACA) required, among other things, that hospital organizations establish a financial assistance policy and a policy relating to emergency medical care. Goshen Health has adopted a financial assistance policy that conforms with the ACA and includes financial assistance eligibility criteria, the basis for calculating amounts charged to patients, the method of applying for financial assistance, billing and collections policies with regard to actions that may be taken in the case of nonpayment, as well as measures to widely publicize the policies within the communities served. Additionally, hospital organizations must adopt policies that require them to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the organizations' financial assistance policies. Goshen Health has also adopted policies to limit the amount charged for emergency or other medically necessary care that is provided to individuals eligible for assistance under its financial assistance policy to no more than the amounts generally billed to individuals who have insurance covering such care.

Reimbursements are received by Goshen Health for Medicare and Medicaid beneficiaries in accordance with reimbursement agreements and related rules and regulations. Also, Goshen Health receives certain payments under the Hospital Assessment Fee (HAF) program from the state of Indiana (see Note 4). These reimbursements and payments are less than the cost of providing the related services.

Through the community health needs assessment that Goshen Health conducted in 2021, the following community health needs were identified and selected as priority areas in which Goshen Health will focus on community benefit efforts: mental health, diabetes treatment and prevention, poverty, obesity/weight management, lack of access to health care, substance abuse, and health education. The costs of providing these programs and services are included in expenses in the accompanying consolidated statements of operations and changes in net assets.

**Goshen Health System, Inc. and Subsidiaries  
d/b/a Goshen Health**

**Notes to Financial Statements  
(Dollars in Thousands)**

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**Note 3. Significant Accounting Policies**

**Principles of consolidation:** The consolidated financial statements include the accounts of Goshen Health and all majority-owned or controlled subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

**Use of estimates:** The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

**Cash and cash equivalents:** Investments in highly liquid debt instruments with a maturity of three months or less when purchased, excluding assets limited as to use, are considered by management to be cash equivalents. Goshen Health places its cash and cash equivalents with institutions of high credit quality and/or positions them such that they are insured by the Federal Deposit Insurance Corporation in order to mitigate potential concentrations of credit risk.

Cash, cash equivalents and restricted cash consists of the following as of December 31, 2023 and 2022:

	2023	2022
Cash and cash equivalents	\$ 5,017	\$ 5,786
Restricted cash included in current portion of assets limited as to use	365	315
	<u>\$ 5,382</u>	<u>\$ 6,101</u>

**Patient accounts receivable, estimated amounts due to third-party payors, and patient service revenue:** Patient service revenue and accounts receivable are reported at the amount that reflects the consideration to which Goshen Health expects to be entitled in exchange for providing patient care. These amounts, representing the estimated transaction price, are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations.

**Inventories:** Inventories consist primarily of drugs and supplies, are stated at the lower of cost (average cost method) or net realizable value.

**Assets limited as to use:** Assets limited as to use include the following: (i) cash and cash equivalents and designated investment assets, set aside by the Board of Directors for future capital improvements and for other purposes, over which the Board retains control and may, in certain circumstances, use for other purposes; (ii) trustee-held bond proceeds to be used for capital projects; (iii) investments required to be held in escrow under the separation agreement with Indiana University Health (IUH) (see Note 9); (iv) investments required to be held in escrow under Accountable Care Organization (ACO) agreements; and (v) restricted cash held under bank agreement for payment of certain recourse liabilities (see Note 5). Substantially all assets limited as to use are invested and managed by professional investment managers and are held in custody by financial institutions.

**Goshen Health System, Inc. and Subsidiaries  
d/b/a Goshen Health**

**Notes to Financial Statements  
(Dollars in Thousands)**

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**Note 3. Significant Accounting Policies (Continued)**

Board-designated investments in equity securities with readily determinable fair values and all investments in debt securities are classified as trading securities and are reported at fair value. Investments held in escrow and trustee-held investments are classified as other-than-trading securities and are reported at fair value. Investments in hedge funds are reported at net asset value (NAV) as a practical expedient for fair value, based on the funds' financial information. Generally, the NAV of these funds reflects the contributed capital, as well as an allocated share of the underlying limited partnerships realized and unrealized gains and losses.

Investment income or loss (including realized gains and losses on the sale of investments, unrealized gains and losses on trading securities, and changes in the carrying value of hedge funds), is reported as nonoperating income (loss) unless the income is restricted by donor or law. The cost of securities sold is based on the specific identification method.

**Due from/to investment broker:** Investment securities purchased and sold are reported based on the trade date. Due to the period lag between the trade and settlement date, Goshen Health reports receivables for securities sold but not settled and reports liabilities for securities purchased but not settled. These receivables and payables are typically settled from within the investment portfolio.

**Property and equipment:** Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets. Interest cost incurred on borrowed funds during the period of construction and other interest costs related to tax-exempt bonds are capitalized as a component of the cost of constructing the assets. In addition, interest earnings on unexpended borrowed funds related to tax-exempt financings offset capitalized tax-exempt interest. Repairs and maintenance costs are expensed when incurred.

Goshen Health evaluates when events or changes in circumstances have occurred that would indicate that the remaining estimated useful lives of long-lived assets warrant revision or that the remaining balance of such assets may not be recoverable. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset or asset group. If undiscounted cash flows are insufficient to recover the carrying value of the long-lived asset, such asset is written down to its fair value if its carrying value exceeds fair value.

**Leases:** Goshen Health determines whether an arrangement is a lease at the inception of the arrangement based on the terms and conditions in the contract. A contract contains a lease if there is an identified asset and Goshen Health has the right to control the asset.

Lease right-of-use (ROU) assets represent Goshen Health's right to use an underlying asset for the lease term and a lease liability represents Goshen Health's obligation to make lease payments arising from the lease. Leases are classified as either operating or financing. Lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease terms. Unless otherwise stated in the lease agreement, Goshen Health has elected to use a risk-free rate for the same period of time as the lease term in determining the present value of lease payments. Goshen Health defines the risk-free rate as the U.S. Treasury yield curve rate. Lease terms include options to extend the lease when it is reasonably certain those options will be exercised.

**Goshen Health System, Inc. and Subsidiaries  
d/b/a Goshen Health**

**Notes to Financial Statements  
(Dollars in Thousands)**

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**Note 3. Significant Accounting Policies (Continued)**

Goshen Health has elected to not recognize assets and liabilities for leases with a lease term of 12 months or less (short-term leases). Lease payments for short-term leases are recognized as expense on a straight-line basis and any variable lease payments are recognized as expense in the period for which the obligation is incurred.

Goshen Health has lease agreements with lease and nonlease components, which Goshen Health has elected to account for as a single lease component for all asset classes. In the consolidated statements of operations and changes in net assets, lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

**Deferred bond issuance costs and bond premium:** Bond issuance costs are deferred and amortized over the period of time that the bonds are expected to be outstanding. Original issue premium on the bonds is amortized over the time that the bonds are expected to be outstanding. Unamortized bond issuance costs and bond premium are reported as a reduction of long-term debt.

**Equity interest in unconsolidated subsidiaries:** Goshen Health has also entered into certain limited liability company agreements with third parties that provide health care-related services. Where applicable, these arrangements are accounted for using the equity method of accounting. The equity interest in unconsolidated subsidiaries recorded within other assets in the consolidated balance sheets was \$763 and \$687 as of December 31, 2023 and 2022, respectively. Goshen Health reports its interest in the income of its unconsolidated subsidiaries within other nonoperating income (loss), totaling \$182 and \$163 during the years ended December 31, 2023 and 2022, respectively.

**Contributions:** Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give, including indications of an intention to give, are reported at fair value at the date the gift is received. If the gifts are received with donor stipulations that limit the use of the donated assets, the gifts are reported as net assets with donor restrictions. Donor-restricted contributions for which restrictions are met in the same year as received are reported as net assets without donor restrictions in the consolidated statements of operations and changes in net assets.

**Grant revenue:** Grant revenue, included in other revenue in the accompanying consolidated statements of operations and changes in net assets, is recognized when there is reasonable assurance that Goshen Health has complied with the conditions associated with the grant.

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed stipulations and may be expended for any purpose in performing the activities of Goshen Health. These net assets may be used at the discretion of Goshen Health's management and board of directors.

**Net assets with donor restrictions:** Net assets with donor restrictions are those net assets whose use has been limited by donors to a specific time period or purpose. These net assets are generally restricted for medical supplies and equipment and patient care services.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reported as other revenue (if released to offset operating expenses) or net assets released from restrictions for capital improvements in the consolidated statements of operations and changes in net assets.

**Goshen Health System, Inc. and Subsidiaries  
d/b/a Goshen Health**

**Notes to Financial Statements  
(Dollars in Thousands)**

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**Note 3. Significant Accounting Policies (Continued)**

**Income taxes:** The Internal Revenue Service has determined that Goshen Health and certain affiliated entities are tax-exempt organizations as defined in Section 501(c)(3) of the Internal Revenue Code.

Certain subsidiaries of Goshen Health are taxable entities, of which the tax expense and liabilities are not material to the consolidated financial statements.

Goshen Health and its tax-exempt affiliated entities each file a Form 990 (Return of Organization Exempt from Income Tax) annually. When these returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would ultimately be sustained. Examples of tax positions common to health systems include such matters as the tax-exempt status of each entity, the continued tax-exempt status of bonds, the nature, characterization and taxability of joint venture income, and various positions relating to potential sources of unrelated business taxable income (reported on Form 990T). As of December 31, 2023 and 2022, there are no unrecognized tax benefits resulting from uncertain tax positions.

Forms 990 and 990T filed by Goshen Health and its tax-exempt affiliated entities are subject to examination by the Internal Revenue Service up to three years from the extended due date of each return. Forms 990 and 990T filed by Goshen Health and its tax-exempt affiliated entities are no longer subject to examination for tax year 2020 and prior.

**Operating and performance indicators:** The activities of Goshen Health are primarily related to providing health care services and, accordingly, expense information by functional classification is not used as a basis for measuring performance. Furthermore, since substantially all resources are derived from providing health care services, similar to that if provided by a business enterprise, the following indicators are considered important in evaluating how well management has discharged its stewardship responsibilities:

**Operating indicator (operating loss):** Includes all revenue, gains, donor contributions released from restrictions used to offset operating expenses, other support, and expenses directly related to the recurring and ongoing health care operations during the reporting period. The operating indicator excludes investment income or losses on assets limited as to use (including changes in unrealized gains and losses on trading securities), gains and losses related to equity interests in unconsolidated subsidiaries, and other gains and losses deemed by management not to be directly related to providing health care services.

**Performance indicator (deficit of revenues over expenses):** Includes operating income and nonoperating income. The performance indicator excludes certain changes in contributions for capital expenditures and net assets released from restrictions for capital improvements.

**Goshen Health System, Inc. and Subsidiaries  
d/b/a Goshen Health**

**Notes to Financial Statements  
(Dollars in Thousands)**

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**Note 3. Significant Accounting Policies (Continued)**

**New accounting pronouncement adopted:** In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost (including patient accounts receivable) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of operations and changes in net assets as the amounts expected to be collected change. Goshen Health adopted ASU 2016-13 in the accompanying consolidated financial statements, without significant effect.

**Reclassifications:** Certain prior-year amounts have been reclassified to conform to the current-year presentation. Such reclassifications had no effect on previously reported deficit of revenues over expenses or change in net assets.

**Subsequent events:** Management has evaluated subsequent events and transactions through March 18, 2024, the date that these consolidated financial statements were issued.

**Note 4. Patient Service Revenue and Accounts Receivable**

Generally, Goshen Health bills the patients and third-party payors several days after the services are performed and/or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by Goshen Health. Substantially all of Goshen Health's patient service revenue relates to performance obligations satisfied over time and is recognized based on actual charges incurred in relation to total expected (or actual) charges. Goshen Health believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. For patients receiving inpatient acute care services, Goshen Health measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. For most outpatient and physician services, the patient simultaneously receives and consumes the benefits of the services as the services are provided.

Because all of its performance obligations relate to contracts with a duration of less than one year, Goshen Health has elected to apply the optional exemption provided in FASB Accounting Standards Codification (ASC) 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied performance obligations referred to above and are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

Goshen Health determines the transaction price based on standard charges for goods and services provided to patients, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with Goshen Health's policy, and/or implicit price concessions based on historical collection experience.

**Goshen Health System, Inc. and Subsidiaries  
d/b/a Goshen Health**

**Notes to Financial Statements  
(Dollars in Thousands)**

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**Note 4. Patient Service Revenue and Accounts Receivable (Continued)**

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as provision for uncollectible accounts. The provision for uncollectible accounts for the years ended December 31, 2023 and 2022, was not significant.

Certain revenue is subject to estimated retroactive revenue adjustments under reimbursement agreements with third-party payors due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period that the related services are rendered, and such amounts are adjusted in future periods as adjustments become known, or as reimbursement periods are settled and are no longer subject to such audits, reviews, and investigations. There were no significant changes in estimated amounts due to third-party payors that affected patient service revenue during the years ended December 31, 2023 and 2022.

For the delivery of health care services, Goshen Health does not require collateral or other security from its patients, substantially all of whom are residents of the state of Indiana. However, assignment of benefit payments payable under patients' health insurance programs and plans (e.g., Medicare, Medicaid, health maintenance organizations, and commercial insurance policies) is routinely obtained, consistent with industry practice.

Goshen Health has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to Goshen Health's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less. However, Goshen Health does, in certain instances, enter into payment arrangements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

A summary of the payment arrangements with major third-party payors follows:

**Medicare:** Certain inpatient acute care services are paid at prospectively determined rates per discharge based on clinical, diagnostic and other factors. Certain services are paid based on cost reimbursement methodologies subject to certain limits. Physician services are paid based upon established fee schedules. Outpatient services are paid using prospectively determined rates.

**Medicaid:** Medicaid services are generally paid at prospectively determined rates per discharge, per occasion of service, or per covered member.

**Other:** Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

**Goshen Health System, Inc. and Subsidiaries  
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**Notes to Financial Statements  
(Dollars in Thousands)**

**Note 4. Patient Service Revenue and Accounts Receivable (Continued)**

Patient service revenue was received from the following major payor sources during the years ended December 31, 2023 and 2022:

	2023	2022
Managed care programs	45%	51%
Medicare and Medicare Advantage	34	30
Medicaid	12	10
Self-pay patients	6	6
Other third-party payors	3	3
	100%	100%

A single managed care provider represented approximately 24% and 26% of patient service revenue for the years ended December 31, 2023 and 2022, respectively.

During 2012, the Indiana General Assembly approved the HAF program. Under this program, the Office of Medicaid Policy and Planning collects a fee from eligible hospitals. The fee is used in part to increase reimbursement to eligible hospitals for services provided in both fee for service and managed care programs, as the state's share of Medicaid Disproportionate Share (DSH) payments.

For the years ended December 31, 2023 and 2022, increased reimbursement related to the HAF program was recorded within patient service revenue in the consolidated statements of operations and changes in net assets. During the years ended December 31, 2023 and 2022, an assessment fee was recognized of \$14,352 and \$12,856, respectively, which is reported as hospital assessment fee expense on the consolidated statements of operations and changes in net assets.

Laws and regulations governing Medicare, Medicaid, and other governmental programs are extremely complex, subject to interpretations and sometimes provide for retroactive adjustments. As a result, there is a reasonable possibility that recorded estimated settlements could change by a material amount in the near term. Goshen Health believes it is in compliance with applicable laws and regulations governing Medicare, Medicaid, and other governmental programs and that adequate provisions have been recorded for any adjustments that may result from final settlements. However, any adjustments to the currently estimated settlements will be recorded in future periods.

The composition of patient accounts receivable as of December 31, 2023 and 2022, is as follows:

	2023	2022
Managed care programs	47%	53%
Medicare and Medicare Advantage	33	25
Medicaid	8	10
Self-pay patients	6	8
Other third-party payors	6	4
	100%	100%

**Goshen Health System, Inc. and Subsidiaries  
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**Notes to Financial Statements  
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**Note 4. Patient Service Revenue and Accounts Receivable (Continued)**

A single managed care payor represented approximately 20% and 24% of patient accounts receivable at December 31, 2023 and 2022, respectively.

**Note 5. Assets Limited as to Use**

As of December 31, 2023 and 2022, assets limited as to use consisted of the following:

	2023	2022
Board-designated investments	\$ 185,386	\$ 200,038
Trustee-held bond proceeds to be used for capital projects	-	4,548
Investments held as collateral under line of credit agreement (See Note 9)	21,692	-
Investments held in escrow under Separation Agreement with IUH (See Note 9)	7,232	8,798
Investments held in escrow under ACO agreements	1,007	1,406
Restricted cash held under bank agreement for payment of certain recourse liabilities	365	315
	215,682	215,105
Less current portion	32,148	4,801
Noncurrent portion	\$ 183,534	\$ 210,304

Assets limited as to use are invested in accordance with Board approved policies. The estimated fair value of the assets limited as to use is determined using market information and other appropriate valuation methodologies. The methods and assumptions used to estimate the fair value of assets limited as to use are as follows: (i) cash and cash equivalents: the carrying amounts reported in the consolidated balance sheets approximate fair value; (ii) marketable securities: the fair values are based on quoted market prices or, if quoted market prices are not available, quoted market prices of comparable instruments and other observable inputs; and (iii) other investments, including alternative investments (such as hedge funds): accounted for using the equity method of accounting based upon the net asset values as determined by third-party administrators of each fund in consultation with and approval of the fund investment managers.

Goshen Health is a limited partner in funds that employ hedged investment strategies and funds that employ investment strategies that require long holding periods to create value, both of which are designed to reduce overall portfolio volatility. See Note 10 for information regarding notification requirements for redemptions of these investments. These investments are accounted for at NAV as a practical expedient for fair value, based on the funds' financial information.

Alternative investments include certain other risks that may not exist with other investments that are more widely traded. These include reliance on the skill of the fund managers, who often employ complex strategies utilizing various financial instruments, including futures contracts, foreign currency contracts, structured notes, and interest rate, total return, and credit default swaps. Additionally, alternative investments may provide limited information on a fund's underlying assets and have restrictive liquidity provisions. Management believes that Goshen Health, in consultation with its investment consultant, has the capacity to analyze and interpret the risks associated with alternative investments and, with this understanding, has determined that these investments represent a prudent approach for use in its portfolio management.

**Goshen Health System, Inc. and Subsidiaries  
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**Notes to Financial Statements  
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**Note 5. Assets Limited as to Use (Continued)**

As of December 31, 2023 and 2022, assets limited as to use consisted of the following:

	2023	2022
Cash, cash equivalents and restricted cash	\$ 30,725	\$ 18,858
U.S. government and agency obligations	19,672	3,886
Mutual funds:		
Domestic equities	81,533	82,969
Global equities	35,321	39,584
Fixed income	30,875	42,996
Alternative investments:		
Hedge funds	498	2,532
Other private investment funds	91	5,756
Private credit	6,353	6,167
Private real estate investments	10,614	12,357
	<u>\$ 215,682</u>	<u>\$ 215,105</u>

The composition of investment income (loss) reported in the consolidated statements of operations and changes in net assets, for the years ended December 31, 2023 and 2022, is as follows:

	2023	2022
Interest and dividend income	\$ 6,704	\$ 5,578
Investment management and administration fees	(369)	(546)
Realized gains on sales of investments, net	12,472	40,603
Unrealized gains (losses) on investments, net	8,162	(90,619)
Realized gains (losses) on alternative investments	6	(6)
	<u>\$ 26,975</u>	<u>\$ (44,990)</u>

**Note 6. Liquidity and Availability**

As of December 31, 2023, Goshen Health had a working capital surplus of \$14,142 and average days cash on hand of 208.

Financial assets available for general expenditure within one year of the consolidated balance sheet date as of December 31, 2023 and 2022, consist of the following:

	2023	2022
Cash and cash equivalents	\$ 5,017	\$ 5,786
Patient accounts receivable	38,712	33,999
Assets limited to use:		
Board-designated investments	185,386	200,038
	<u>\$ 229,115</u>	<u>\$ 239,823</u>

**Goshen Health System, Inc. and Subsidiaries  
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**Notes to Financial Statements  
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**Note 6. Liquidity and Availability (Continued)**

Goshen Health has certain board-designated investments which are available for general expenditure within one year in the normal scope of operations. Accordingly, these assets have been included in the amounts above. Goshen Health has other assets limited to use for debt service and accountable care and other agreements, and for capital expenditures. These assets limited as to use, which are more fully described in Note 5, are not available for general expenditure within the next year and are not reflected in the amounts above.

Goshen Health maintains a line of credit, as discussed in more detail in Note 9. As of December 31, 2023 and 2022, \$16,841 and \$18,471, respectively, was available for borrowing on the line of credit.

**Note 7. Property and Equipment**

The cost of property and equipment in service as of December 31, 2023 and 2022, is summarized as follows:

	2023	2022
Land and improvements	\$ 11,258	\$ 10,458
Buildings and improvements	184,388	175,152
Equipment, including software developed for internal use	186,141	163,567
	\$ 381,787	\$ 349,177

Property and equipment is depreciated on a straight-line basis beginning in the month when placed in service. Useful lives of each category of assets are based on the estimated useful time frame that the particular assets are expected to be in service, generally in accordance with guidelines established by the American Hospital Association. Asset lives range as follows:

	Years
Land improvements	20-30
Buildings and improvements	15-40
Equipment, including software developed for internal use	3-10

Construction in progress for assets currently under development is anticipated to extend through 2024 and includes commitments for the construction, refurbishment, and replacement of facilities and equipment. A summary of the construction in progress as of December 31, 2023 and 2022, is as follows:

	2023	2022
IT projects	\$ 663	\$ 4,194
Building improvements	1,380	2,755
Private room initiative	3,490	12,308
Miscellaneous projects	381	58
	\$ 5,914	\$ 19,315

**Goshen Health System, Inc. and Subsidiaries  
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**Notes to Financial Statements  
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**Note 7. Property and Equipment (Continued)**

Firm commitments for construction projects currently in progress totaled \$7,877 at December 31, 2023.

Property purchased and held for future development is reported at cost and totaled \$1,924 and \$2,658 at December 31, 2023 and 2022, respectively.

**Note 8. Leases**

Goshen Health has operating leases that consist of medical equipment and medical office space agreements. Goshen Health is also the lessor in several lease agreements for campus housing for colleagues and contracted employees and medical office space for medical practices.

Goshen Health's leases have remaining lease terms of one to seven years. For purposes of calculating lease liabilities, lease terms include options to extend the lease when it is reasonably certain those options will be exercised. Some leasing arrangements require variable payments that are dependent on usage or other measures. The variable lease payments are not presented as part of the initial ROU asset or lease liability. Goshen Health's lease agreements do not contain any material restrictive covenants.

The components of lease expense for the years ended December 31, 2023 and 2022, are as follows:

	2023	2022
Finance lease cost:		
Amortization of ROU assets	\$ 983	\$ 684
Interest on lease liabilities	131	86
Operating lease cost	3,395	2,824
Variable lease cost	434	440
Total lease cost	<u>\$ 4,943</u>	<u>\$ 4,034</u>

Amortization of finance lease ROU assets is reported in depreciation and amortization expense, and interest on finance lease liabilities is reported in interest expense, in the accompanying consolidated statements of operations and changes in net assets. Lease cost for operating leases and variable lease cost are reported in supplies, drugs, purchased services and other expense in the accompanying consolidated statements of operations and changes in net assets.

Goshen Health utilizes a stated rate or a risk-free rate in determining the present value of lease payments.

**Goshen Health System, Inc. and Subsidiaries  
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**Notes to Financial Statements  
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**Note 8. Leases (Continued)**

Weighted-average remaining lease terms and discount rates as of December 31, 2023 and 2022, are as follows:

	2023	2022
Weighted-average remaining lease term (years):		
Finance leases	4.45	4.83
Operating leases	6.89	6.38
Weighted-average discount rate:		
Finance leases	3.53%	2.57%
Operating leases	3.38%	1.90%

Future maturities of lease liabilities as of December 31, 2023 are as follows:

	Finance Leases	Operating Leases
Years ending December 31:		
2024	\$ 2,212	\$ 3,731
2025	2,707	3,818
2026	4,017	4,322
2027	6,049	3,817
2028	2,900	4,509
Thereafter	4,891	5,249
Total future undiscounted lease payments	<u>22,776</u>	<u>25,446</u>
Less present value discount	16,507	16,913
Lease liabilities	<u>6,269</u>	<u>8,533</u>
Less current portion	1,450	2,850
Noncurrent portion	<u>\$ 4,819</u>	<u>\$ 5,683</u>

**Goshen Health System, Inc. and Subsidiaries  
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**Notes to Financial Statements  
(Dollars in Thousands)**

**Note 9. Long-Term Debt and Other Borrowings**

Long-term debt at December 31, 2023 and 2022, consists of the following:

	2023	2022
Indiana Finance Authority Hospital Revenue Bonds, Series 2019 (Goshen Health):		
Series 2019A (interest rates ranging from 4% to 5%) with maturities through November 2043	\$ 44,330	\$ 44,330
Series 2019B (interest rate of 2.1%) maturing November 1, 2049	25,360	25,360
	<u>69,690</u>	<u>69,690</u>
 Loan from Indiana University Health (IUH):		
Note payable to IUH Under Separation Agreement payable in annual installments through 2026	6,000	8,000
	<u>6,000</u>	<u>8,000</u>
 Loans from Key Bank:		
Mortgage obligations (interest rates ranging from 1.35% to 5.02%)	112	320
	<u>112</u>	<u>320</u>
	75,802	78,010
 Add unamortized original issue premium on revenue bonds	4,256	4,719
Less present value discount on note payable to IUH	282	467
Less unamortized bond issuance costs	520	603
	<u>79,256</u>	<u>81,659</u>
 Less current portion	1,972	2,017
Long-term debt	<u>\$ 77,284</u>	<u>\$ 79,642</u>

In July 2019, Goshen Health issued \$69,690 of fixed rate tax-exempt revenue bonds (Series 2019 Bonds) through the Indiana Finance Authority. The proceeds of the Series 2019 Bonds were used to finance a facility and campus improvement project. The Series 2019 Bonds are secured by a pledge of Goshen Health's gross receivables.

The Series 2019A Bonds were issued in various maturities from November 2027 through November 2043. The Series 2019A Bonds maturing on or after November 1, 2029, are subject to redemption prior to their stated maturities on or after May 1, 2029, at the option of Goshen Health, at 100% of outstanding principal plus accrued interest. Series 2019A Bonds in the amount of \$10,215 are also subject to redemption prior to their stated maturities from sinking fund installments in varying amounts beginning November 1, 2040 through November 1, 2042. The Series 2019A Bonds were issued in a fixed rate mode (with rates ranging from 4% to 5%) that may be converted, at the option of Goshen Health, to other modes on or after May 1, 2029.

**Goshen Health System, Inc. and Subsidiaries  
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**Notes to Financial Statements  
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**Note 9. Long-Term Debt and Other Borrowings (Continued)**

The Series 2019B Bonds mature through November 1, 2049, with an initial long-term interest rate of 2.1%. The initial long-term interest rate period ends October 31, 2026. After this date, the Series 2019B Bonds will bear interest at successive long-term interest rates until conversion, at the option of Goshen Health, of all or a portion of the Series 2019B Bonds to a new interest rate mode. The Series 2019B Bonds are subject to mandatory tender on the first day following the long-term interest rate period or on a conversion date to a new interest rate mode. The Series 2019B Bonds are subject to redemption prior to their stated maturities on or after May 1, 2026, at the option of Goshen Health, at 100% of outstanding principal plus accrued interest. Series 2019B Bonds in the amount of \$21,140 are also subject to redemption prior to their stated maturities from sinking fund installments in varying amounts beginning November 1, 2043 through November 1, 2048.

The Series 2019 Bonds were issued under a Master Indenture. The Master Indenture and related agreements subject Goshen Health System, Inc. and Goshen Hospital Association, Inc., as the Obligated Group members, to reporting, financial and other covenants, including the maintenance of a minimum debt service coverage ratio. At December 31, 2023, Goshen Health was not in compliance with the minimum debt service coverage ratio covenant, which requires Goshen Health to engage a consultant to assist with future operations, and provide bond holders with a report on the expected improvements. Under the Master Indenture, a default resulting in acceleration of repayment of the bonds only occurs when this covenant is not met for two consecutive years.

As a condition of the Separation Agreement executed in December 2016 with IUH, Goshen Health agreed to pay IUH a separation payment of \$20,000. Of this amount, \$2,000 was paid in December 2016, with required annual payments of \$2,000 (principal and imputed interest) beginning in January 2018. Goshen Health has recognized a liability for the present value of these future annual payments, discounted at 2.45%. The Separation Agreement includes certain restrictions on IUH's activities within Goshen Health's service area through December 31, 2026. Violations of these restrictions that remain uncured for more than 90 days will result in termination of Goshen Health's obligation to repay any remaining amounts due to IUH under the Separation Agreement.

Included in assets limited as to use (see Note 5), as required by the Separation Agreement, are amounts placed in escrow sufficient to fund the payments on the note payable to IUH.

Goshen Health maintains a line of credit with Key Bank, which requires monthly interest payments until it expires, at which time any outstanding draws on the line of credit must be repaid in full. Outstanding borrowings on the line of credit as of December 31, 2023 and 2022, were \$13,159 and \$11,529, respectively. On January 31, 2023, Goshen Health amended the line of credit agreement to decrease the maximum borrowing under the line of credit from \$30,000 to \$20,000 and extended the maturity date through January 31, 2024. As security for the obligation, Goshen Health has pledged and assigned to Key Bank, a collateral assignment and security interest of a marketable security equal to \$21,000. Interest on outstanding borrowings, equal to the Secured Overnight Finance Rate (SOFR) plus a margin, is due monthly.

In January 2024, the line of credit expired, the outstanding balance of the line of credit was repaid and the \$21,000 of marketable securities was released from collateral.

**Goshen Health System, Inc. and Subsidiaries  
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**Notes to Financial Statements  
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**Note 9. Long-Term Debt and Other Borrowings (Continued)**

The scheduled maturities of long-term debt as of December 31, 2023, are as follows:

Years ending December 31:	
2024	\$ 2,112
2025	2,000
2026	2,000
2027	1,805
2028	1,895
Thereafter	65,990
	<u>\$ 75,802</u>

Total interest paid on long-term debt for the years ended December 31, 2023 and 2022, was \$3,427 and \$2,983, respectively. Interest capitalized amounted to \$17 and \$318 in 2023 and 2022, respectively.

**Note 10. Fair Value Measurement**

The accounting guidance for the application of fair value provides, among other matters, for the following: defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value; establishes a three-level hierarchy for fair value measurements based upon the observability of inputs to the valuation of an asset or liability as of the measurement date; requires consideration of nonperformance risk when valuing liabilities; and expands disclosures about instruments measured at fair value. The three level hierarchy is based upon the nature of valuation techniques and whether such techniques are based upon observable or unobservable inputs, as defined.

Observable inputs are intended to reflect market data obtained from independent sources, while unobservable inputs may reflect market assumptions made by management or measurements made by financial specialists generally associated with the financial asset or liability. These two types of inputs create the following fair value hierarchy:

**Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities as of the reporting date.

**Level 2:** Pricing inputs other than quoted prices included in Level 1 that are either directly observable or that can be derived or supported from observable data as of the reporting date.

**Level 3:** Pricing inputs include those that are significant to the fair value of the financial asset or financial liability and are not observable from objective sources. In evaluating the significance of inputs, management generally classifies assets or liabilities as Level 3 when their fair value is determined using unobservable inputs that individually, or in the aggregate, represent more than 10% of the fair value of the assets or liabilities. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

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**Notes to Financial Statements  
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**Note 10. Fair Value Measurement (Continued)**

The fair value of financial assets and liabilities measured at fair value on a recurring basis was determined using the following inputs at December 31, 2023 and 2022:

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Marketable securities:				
Fixed-income securities	\$ -	\$ 19,672	\$ -	\$ 19,672
Mutual funds—domestic	81,533	-	-	81,533
Mutual funds—global	35,321	-	-	35,321
Mutual funds—fixed	30,875	-	-	30,875
				<u>167,401</u>
Cash, cash equivalents and restricted cash	-	-	-	30,725
Alternative investments	-	-	-	17,556
	<u>\$ 147,729</u>	<u>\$ 19,672</u>	<u>\$ -</u>	<u>\$ 215,682</u>
	December 31, 2022			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Marketable securities:				
Fixed-income securities	\$ -	\$ 3,886	\$ -	\$ 3,886
Mutual funds—domestic	82,969	-	-	82,969
Mutual funds—global	39,584	-	-	39,584
Mutual funds—fixed	42,996	-	-	42,996
				<u>169,435</u>
Cash, cash equivalents and restricted cash	-	-	-	18,858
Alternative investments	-	-	-	26,812
	<u>\$ 164,375</u>	<u>\$ 3,886</u>	<u>\$ -</u>	<u>\$ 215,105</u>

The fair value of Level 1 trading securities is based on quoted market prices from an active exchange. The fair value of Level 2 trading securities is based on third-party market quotes in an inactive market or similar securities in an active market and other observable inputs.

Transfers are generally recorded at the end of the reporting period. There were no material transfers between Level 1 and Level 2 during the years ended December 31, 2023 and 2022.

Cash and cash equivalents reported outside of assets limited as to use aggregated \$5,017 and \$5,786 as of December 31, 2023 and 2022, respectively, and are not included in the above tables.

**Goshen Health System, Inc. and Subsidiaries**  
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**Notes to Financial Statements**  
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**Note 10. Fair Value Measurement (Continued)**

The following table presents information related to Goshen Health's alternative investments as of December 31, 2023 and 2022:

	Value at December 31		Unfunded	Redemption	
	2023	2022	Commitments	Frequency	Notice Period
Hedge funds (a)	\$ 498	\$ 2,532	\$ -	(e)	(e)
Other private investments (b)	91	5,756	-	(e)	(e)
Private credit (c)	6,353	6,167	-	(f)	(f)
Private real estate investments (d)	10,614	12,357	-	(g)	(g)
Total	<u>\$ 17,556</u>	<u>\$ 26,812</u>	<u>\$ -</u>		

- (a) Hedge funds consist of investments in international equities and large cap equities. Investments seek to provide investors with long-term capital appreciation primarily through investing in North American companies and securities from emerging market countries. These funds are not publicly traded, and the NAV is based upon information provided by the fund manager.
- (b) Other private investments consist of investments in large cap equities that achieve net returns in excess of the U.S. equity markets by owning high quality companies through a long-term strategy focused on certain established criteria. These investments are valued using the investment's financial statements and the Fund's percentage ownership issued by the manager or administrator of the investment.
- (c) Private credit consists of an investment in Owl Rock Capital Corporation, Limited Partnership. This investment aims to provide investors with current income and the potential for capital appreciation by targeting investment opportunities with favorable risk-adjusted returns. This investment is valued using the investment's financial statements and the Fund's percentage ownership issued by the manager or administrator of the investment.
- (d) Private real estate investments consist of investments in CBRE U.S. Core Property Fund, LP. Investments aim to provide investors with a core, stable, income-driven rate of return and the potential for income growth and asset appreciation. Valuations are obtained using the investment's financial statements and the Fund's percentage ownership issued by the manager or administrator of the investment.
- (e) Withdrawals and liquidity of these investments are available monthly with a 30-day notice period.
- (f) Investments are subject to lock-up provisions and cannot currently be redeemed, but rather liquidity will be offered by the business development company (BDC) upon the liquidation of the underlying assets, merger transactions, or registration on a National Securities Exchange. Liquidity is generally expected, but is not guaranteed, in the next three to four years.
- (g) Withdrawals and liquidity of these investments will be available quarterly with a 60-day notice period.

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**Notes to Financial Statements  
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**Note 11. Commitments and Contingencies**

Goshen Health is from time to time subject to various legal proceedings and claims arising in the ordinary course of business. Goshen Health's management does not expect that the outcome in any of its currently ongoing legal proceedings or the outcome of any other claims, individually or collectively, will have a material adverse effect on Goshen Health's financial condition, results of operations, or cash flows.

Included in COVID-19 pandemic relief funding recognized by Goshen Health during 2020 and 2021 was approximately \$20,000 of Provider Relief Fund and American Rescue Plan Rural Distribution (PRF) program distributions. Goshen Health believes it complied with the terms and conditions of the PRF distributions received, however, the Health Resources and Services Administration (HRSA) may audit whether Goshen Health qualified and met the conditions necessary to retain the funds. Therefore, it is possible that Goshen Health may have to repay an amount previously received from HRSA.

**Note 12. Malpractice Insurance**

Goshen Health's medical malpractice coverage is provided through a pooled risk sharing arrangement with the Suburban Health Organization Risk Retention Group, LLC. The program of medical malpractice coverage considers limitations in claims and damages prescribed by the Indiana Medical Malpractice Act (Act), which limits the amount of individual claims to \$1,250 (effective July 1, 1999 through June 30, 2017), of which up to \$1,000 would be paid by the State of Indiana Patient Compensation Fund (Fund) and \$250 by Goshen Health for each occurrence of malpractice. Effective July 1, 2017, this limit increased to \$1,650, of which \$1,250 would be paid by the Fund and \$400 by Goshen Health. Effective July 1, 2019, this limit increased to \$1,800, of which \$1,300 would be paid by the Fund and \$500 by Goshen Health. The Act limits annual aggregate claims to \$7,500 (effective July 1, 1999 through June 30, 2017), \$12,000 (effective July 1, 2017 through June 30, 2019) and \$15,000 (effective July 1, 2019). The Act also requires that health care providers meet certain requirements, including making funding payments to the Fund and maintaining certain insurance levels. Goshen Health has met these requirements and is a qualified provider under the Act, retaining risk of \$500 per occurrence and \$15,000 in the annual aggregate.

**Note 13. Functional Expenses**

Functional expenses for Goshen Health are as follows for the years ended December 31, 2023 and 2022:

	2023				
	Health Care Services		Support Services		Total
	Goshen Hospital	Goshen Physicians and Other Services	Management General and Administrative	Fundraising	
Salaries, wages and benefits	\$ 98,822	\$ 62,396	\$ 12,664	\$ 131	\$ 174,013
Supplies, drugs, purchased services and other	100,502	28,235	13,372	205	142,314
Hospital assessment fee	14,352	-	-	-	14,352
Depreciation and amortization	14,085	1,489	791	16	16,381
Interest	3,014	-	169	-	3,183
<b>Total expenses</b>	<b>\$ 230,775</b>	<b>\$ 92,120</b>	<b>\$ 26,996</b>	<b>\$ 352</b>	<b>\$ 350,243</b>

**Goshen Health System, Inc. and Subsidiaries  
d/b/a Goshen Health**

**Notes to Financial Statements  
(Dollars in Thousands)**

**Note 13. Functional Expenses (Continued)**

	2022				
	Health Care Services		Support Services		
	Goshen Hospital	Goshen Physicians and Other Services	Management General and Administrative	Fundraising	Total
Salaries, wages and benefits	\$ 104,545	\$ 58,902	\$ 10,859	\$ 148	\$ 174,454
Supplies, drugs, purchased services and other	117,020	25,864	13,697	213	156,794
Hospital assessment fee	12,856	-	-	-	12,856
Depreciation and amortization	13,299	1,176	747	14	15,236
Interest	2,156	-	121	-	2,277
Total expenses	<u>\$ 249,876</u>	<u>\$ 85,942</u>	<u>\$ 25,424</u>	<u>\$ 375</u>	<u>\$ 361,617</u>

The consolidated financial statements report certain expense categories that are attributable to more than one health care service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including depreciation, amortization, and interest are allocated to a function based on square footage.

**Note 14. Retirement Plans**

Retirement benefits are provided to substantially all Colleagues of Goshen Health through defined-contribution plans. Included in salaries, wages and benefits expense are contributions to the defined-contribution plans, based on compensation of qualified Colleagues, of \$4,724 and \$4,738 for the years ended December 31, 2023 and 2022, respectively (net of forfeitures of \$519 and \$554 in 2023 and 2022, respectively).

**Note 15. Health Care Legislation and Regulation**

Under Indiana law (IC 12-15-16 (1-3)), health care providers qualifying as State of Indiana Medicaid Acute Disproportionate Share and Medicaid Safety Net Hospitals (DSH providers) are eligible to receive Indiana Medicaid Disproportionate Share (state DSH) payments. The amount of these additional state DSH funds is dependent on regulatory approval by agencies of the federal and state governments and is determined by the level, extent, and cost of uncompensated care (as defined) and various other factors. State DSH payments are paid according to the fiscal year of the state, which ends on June 30 of each year, and are based on the cost of uncompensated care provided by the DSH providers during their respective fiscal year ended during the state fiscal year.

**Goshen Health System, Inc. and Subsidiaries  
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**Notes to Financial Statements  
(Dollars in Thousands)**

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**Note 15. Health Care Legislation and Regulation (Continued)**

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, participation requirements, reimbursement for patient services, Medicare and Medicaid fraud and abuse, and security, privacy, and standards of health information. Government activity has continued with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and noncompliance with regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, significant repayments for patient services previously billed, and disruptions or delays in processing administrative transactions, including the adjudication of claims and payment. In the opinion of management, there are no known regulatory inquiries that are expected to have a material adverse effect on the consolidated financial statements of Goshen Health; however, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

The ACA and its associated legislation are designed, in part, to expand access to coverage to substantively all U.S. citizens through a combination of states' expansion of their Medicaid programs and the health insurance marketplace. For Indiana, the Centers for Medicare and Medicaid Services (CMS) has approved the Health Indiana Plan (HIP) 2.0, which was Indiana's response to expanding its Medicaid program. Changes to existing Medicare and Medicaid coverage and payments have also occurred as a result of this legislation. A body of regulations is generally required for implementation of legislative acts such as the ACA, and it often takes a period of years for the regulations to be written, approved and adopted.

**Note 16. Net Assets With Donor Restrictions**

Net assets with donor restrictions are either donor-restricted for a specific purpose or for use in a specified period of time. The purpose restrictions at December 31, 2023, included restrictions for operations of \$1,377, continuing education and scholarships of \$95, building campaign of \$144, COVID-19 response of \$3 and endowment to be held in perpetuity of \$2,000. The purpose restrictions at December 31, 2022, included restrictions for operations of \$1,287, continuing education and scholarships of \$88, building campaign of \$2,241, COVID-19 response of \$3 and endowment to be held in perpetuity of \$2,000.

**Note 17. Subsequent Event**

On February 21, 2024, Change Healthcare, a third-party service provider to Goshen Health, became aware of a cybersecurity incident (the "Incident") causing a disruption across the health care industry. Goshen Health uses Change Healthcare as a clearinghouse for electronic billings to third-party payors. As a result of the Incident, Goshen Health does not know what, if any, Goshen Health data, including personally identifiable information (PII) and/or protected health information (PHI), has been compromised as a result of the Incident. At this time, Goshen Health is not aware of any legal claims asserted against Goshen Health and is not able to predict if the Incident will have a material adverse effect on Goshen Health's financial condition or results of operations.