

REHABILITATION HOSPITAL OF INDIANA, INC.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

REHABILITATION HOSPITAL OF INDIANA, INC.
Indianapolis, Indiana

CONSOLIDATED FINANCIAL STATEMENTS
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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Rehabilitation Hospital of Indiana, Inc.
Indianapolis, Indiana

Report on the Audit of the Financial Statements***Opinion***

We have audited the consolidated financial statements of Rehabilitation Hospital of Indiana, Inc. ("RHI"), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of operations and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of RHI as of December 31, 2024 and 2023, 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.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

(Continued)

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

In performing an audit in accordance with GAAS, we:

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2024 and 2023 consolidating balance sheets and consolidating statements of operations and changes in net assets are presented for purposes of additional analysis and are 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 consolidating 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 consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



Crowe LLP

Indianapolis, Indiana
April 11, 2025

REHABILITATION HOSPITAL OF INDIANA, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,860,545	\$ 3,516,688
Patient accounts receivable, net	6,001,251	5,149,118
Inventories	390,784	516,751
Prepaid expenses and other current assets	1,174,967	1,792,094
Investments	215,812	205,199
Total current assets	<u>11,643,359</u>	<u>11,179,850</u>
Right-of-use asset	21,882	135,547
Property and equipment:		
Land	3,400,980	3,263,680
Buildings and improvements	33,842,525	33,826,782
Equipment	19,900,097	19,990,863
Construction-in-progress	477,906	39,781
	<u>57,621,508</u>	<u>57,121,106</u>
Less: accumulated depreciation	36,503,542	34,648,545
Total property and equipment, net	<u>21,117,966</u>	<u>22,472,561</u>
 Total assets	 <u>\$ 32,783,207</u>	 <u>\$ 33,787,958</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 3,060,647	\$ 4,184,571
Salaries, wages, and related liabilities	3,072,286	2,770,988
Accrued interest	5,840	8,700
Current portion of long-term debt	950,000	940,000
Current portion of lease liabilities	7,870	113,665
Third-party settlements	933,405	829,606
Total current liabilities	<u>8,030,048</u>	<u>8,847,530</u>
Long-term lease liabilities	14,013	21,882
Long-term debt, net of current portion	6,030,000	6,980,000
Total long-term liabilities	<u>6,044,013</u>	<u>7,001,882</u>
Total liabilities	14,074,061	15,849,412
Net assets:		
Without donor restrictions	18,040,123	17,112,139
With donor restrictions	669,023	826,407
Total net assets	<u>18,709,146</u>	<u>17,938,546</u>
 Total liabilities and net assets	 <u>\$ 32,783,207</u>	 <u>\$ 33,787,958</u>

See accompanying notes to consolidated financial statements.

REHABILITATION HOSPITAL OF INDIANA, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
Years ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Revenues without donor restrictions		
Patient service revenue, net	\$ 44,662,060	\$ 44,513,408
Other revenue	2,802,875	2,388,778
Net assets released from restrictions	<u>543,800</u>	<u>553,557</u>
Total revenues	48,008,735	47,455,743
Expenses		
Program expenses	34,184,603	33,559,481
Management and general expenses	12,850,869	12,620,182
Fundraising expenses	<u>61,184</u>	<u>66,701</u>
Total expenses	<u>47,096,656</u>	<u>46,246,364</u>
Operating income	912,079	1,209,379
Nonoperating gain:		
Interest income	13,155	10,097
Gain on disposal of assets	<u>2,750</u>	<u>-</u>
	<u>15,905</u>	<u>10,097</u>
Revenue in excess of expenses	927,984	1,219,476
Net assests with donor restrictions:		
Contributions	386,416	880,920
Net assets released from restrictions	<u>(543,800)</u>	<u>(553,557)</u>
Change in net assets with donor restrictions	<u>(157,384)</u>	<u>327,363</u>
Change in net assets	770,600	1,546,839
Net assets, beginning of year	<u>17,938,546</u>	<u>16,391,707</u>
Net assets, end of year	<u><u>\$ 18,709,146</u></u>	<u><u>\$ 17,938,546</u></u>

See accompanying notes to consolidated financial statements.

REHABILITATION HOSPITAL OF INDIANA, INC.
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
Year ended December 31, 2024 (with summary totals for the year ended December 31, 2023)

	Program Service <u>Expenses</u>	Management and General <u>Expenses</u>	Fundraising <u>Expenses</u>	2024 <u>Total</u>	2023 <u>Total</u>
Salaries and wages	\$ 19,475,631	\$ 4,568,207	\$ 47,421	\$ 24,091,259	\$ 22,816,108
Employee benefits	5,389,693	2,037,570	9,284	7,436,547	7,705,026
Contract and purchased services	4,903,964	2,607,956	499	7,512,419	7,700,544
Supplies	3,831,124	289,090	1,237	4,121,451	3,941,656
Utilities and other	17,207	724,932	-	742,139	716,396
Depreciation	872	1,865,498	-	1,866,370	1,873,240
Interest	222	76,975	-	77,197	156,490
General and administrative	565,890	680,641	2,743	1,249,274	1,336,904
	<u>\$ 34,184,603</u>	<u>\$ 12,850,869</u>	<u>\$ 61,184</u>	<u>\$ 47,096,656</u>	<u>\$ 46,246,364</u>

See accompanying notes to consolidated financial statements.

REHABILITATION HOSPITAL OF INDIANA, INC.
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
Year ended December 31, 2023

	Program Service <u>Expenses</u>	Management and General <u>Expenses</u>	Fundraising <u>Expenses</u>	2023 <u>Total</u>
Salaries and wages	\$ 18,498,004	\$ 4,267,581	\$ 50,523	\$ 22,816,108
Employee benefits	5,764,554	1,927,689	12,783	7,705,026
Contract and purchased services	5,107,669	2,592,875	-	7,700,544
Supplies	3,658,015	282,627	1,014	3,941,656
Utilities and other	24,565	691,831	-	716,396
Depreciation	1,107	1,872,133	-	1,873,240
Interest	447	156,043	-	156,490
General and administrative	505,120	829,403	2,381	1,336,904
	<u>\$ 33,559,481</u>	<u>\$ 12,620,182</u>	<u>\$ 66,701</u>	<u>\$ 46,246,364</u>

See accompanying notes to consolidated financial statements.

REHABILITATION HOSPITAL OF INDIANA, INC.
CONSOLIDATED STATEMENTS OF CASH FLOW
Years ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Change in net assets	\$ 770,600	\$ 1,546,839
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	1,866,370	1,873,240
Unrealized gain on investments	(10,613)	(6,961)
Changes in operating assets and liabilities:		
Patient accounts receivable	(852,133)	(271,402)
Inventories, prepaid expenses, and other assets	743,095	(467,751)
Gain on disposal of assets	(2,750)	-
Accounts payable and other accrued liabilities	(1,123,924)	1,440,559
Salaries, wages, and related liabilities	301,298	289,871
Accrued interest	(2,860)	5,690
Estimated third-party settlements	103,799	(81,496)
Net cash from operating activities	<u>1,792,882</u>	<u>4,328,589</u>
Cash flows from investing activities		
Purchase of property and equipment	(511,775)	(572,936)
Proceeds from sale of property and equipment	<u>2,750</u>	<u>-</u>
Net cash from investing activities	(509,025)	(572,936)
Cash flows from financing activities		
Repayments on long-term borrowings	<u>(940,000)</u>	<u>(920,000)</u>
Net cash from financing activities	<u>(940,000)</u>	<u>(920,000)</u>
Net change in cash and cash equivalents	343,857	2,835,653
Cash and cash equivalents:		
Beginning of year	<u>3,516,688</u>	<u>681,035</u>
End of year	<u><u>\$ 3,860,545</u></u>	<u><u>\$ 3,516,688</u></u>
Supplemental disclosures of cash flow information:		
Cash paid during year for interest	\$ 80,057	\$ 150,800

See accompanying notes to consolidated financial statements.

REHABILITATION HOSPITAL OF INDIANA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Rehabilitation Hospital of Indiana, Inc. (the "Hospital" or "RHI") operates a freestanding specialty medical rehabilitation hospital located in Indianapolis, Indiana. The Hospital provides short-term, comprehensive rehabilitation services to patients, and its programs are designed to restore physical, cognitive, and psychosocial functions following an incident of acute illness or trauma. Inpatient and outpatient therapy and support services provided by the Hospital include physical and occupational therapy, speech therapy, recreational therapy, activities of daily living, rehabilitation nursing, psychology, and social services and cognitive retraining.

Not-for-profit corporations St. Vincent Health, Inc. and IU Health are the corporate members of the Hospital. The agreement contains provisions for working capital loans and support of the Hospital upon mutual-agreement by the corporate members. The joint venture agreement was amended effective January 1, 2012 to modify RHI's membership interest to be held 51% by IU Health and 49% St. Vincent Healthcare, Inc.

Included within the operations of the Hospital is Rehabilitation Hospital Foundation, Inc. (the "Foundation") which was established to promote and support the mission of the Hospital. The Hospital is the sole corporate member of the Foundation. All significant intercompany accounts have been eliminated in consolidation.

Basis of Consolidation: The accompanying consolidated financial statements include the accounts of Rehabilitation Hospital of Indiana, Inc. and Rehabilitation Hospital Foundation, Inc. (collectively referred to as the "Hospital"). All transactions between affiliated organizations have been eliminated in consolidation.

Charity Care and Community Benefit: The Hospital provides medical care to all patients regardless of their ability to pay. A patient is classified as charity care in accordance with certain established policies and is provided care without charges or at amounts less than established rates. Because collection of amounts determined to qualify as charity care is not pursued, such amounts are not reported as revenue. Records are maintained to identify and monitor the level of charity care provided including the amount of charges foregone for services and supplies furnished.

The Hospital provides certain services to benefit the community. These services (for which a nominal or no amount is charged) are based on the most recent community health needs assessment which was performed in 2021. The needs identified in this assessment which RHI can reasonably impact are identified as: Obesity and Diabetes, and Social Determinants of Health. Sponsoring a reading program at the local school; participating in job fairs for students in the local community; building of ramps and houses for those in need in the local community; providing book donations to students in the local community; providing food to students of the local elementary school during school breaks; sponsoring physical activity programs for students in the local community; providing nutrition classes at the local school; and participating in an event providing physicals for local students so they can participate in school sports are some ways in which RHI positively impacted the local community. The cost of these services are included in operating expenses. In addition, the Hospital completed another needs assessment (CHNA) during the fall of 2024 and is currently working to develop a plan (Implementation Strategy) to address the latest CHNA.

The Hospital has a process whereby it attempts to obtain complete household income information prior to admission from patients who came as uninsured or with a potential need for financial assistance. This process allows the Hospital to identify in advance patients that may qualify for financial assistance and improve the identification of charity care cases. For additional discussion on charity care, see Note 2.

(Continued)

REHABILITATION HOSPITAL OF INDIANA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates: The preparation of 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents: For the purpose of the consolidated statements of cash flows, cash includes cash and cash equivalents with original maturities of 90 days or less. The Hospital places its cash and cash equivalents with institutions with high credit quality. However, at certain times, such cash and cash equivalents may be in excess of government-provided insurance limits. The Federal Deposit Insurance Corporation (FDIC) insures up to \$250,000 per financial institution. The Hospital's maximum risk was \$0 at December 31, 2024 and 2023.

Patient Accounts Receivable, Estimated Third-Party Settlements, and Patient Service Revenue: Patient accounts receivable and patient service revenue are reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered. Patient accounts receivable also includes contract receivables resulting from unbilled patient balances. At December 31, 2024 and 2023, approximately \$1,970,000 and \$1,478,000 of patient accounts receivable related to unbilled balances, respectively.

Estimated retroactive adjustments as provided by reimbursement agreements with certain third-party payors are included with patient service revenue and estimated third-party payor receivables or payables. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined. The Hospital incurred audits related to target probe and educate ("TPE") audits, Supplemental Medical Review/Specialty Contractor ("SMRC") and cost report settlement audits during 2024 and 2023. The Hospital recorded reserves of \$933,405 and \$829,606 as of December 31, 2024 and 2023, respectively.

The Hospital receives payment for services rendered from federal and state agencies (under the Medicare and Medicaid programs), managed care health plans, commercial insurance companies, employers, and patients. During the years ended December 31, 2024 and 2023, approximately 41% and 44%, respectively, of the Hospital's net revenues related to patients participating in the Medicare program, 11% and 11%, respectively, from the Medicaid program, 18% and 21%, respectively, from a specific managed care payor, and 30% and 24%, respectively, from other payor types.

The Hospital recognizes that revenue and receivables from government agencies are significant to the Hospital's operations but does not believe that there are significant credit risks associated with these governmental agencies. At December 31, 2024 and 2023, the Hospital has 38% and 36%, respectively, of net accounts receivable due from Medicare, 16% and 19%, respectively, of net accounts receivable due from Medicaid, and 13% and 16%, respectively, of net accounts receivable due from Blue Cross. The Hospital does not believe that there are any other significant concentrations of revenues from any particular payor that would subject the Hospital to any significant credit risks in the collection of its accounts receivable.

Inventories: Inventories are stated at the lower of cost or market, with cost determined by the first-in, first-out (FIFO) method.

(Continued)

REHABILITATION HOSPITAL OF INDIANA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment and Depreciation: Property and equipment additions greater than \$500 and with a life of three or more years, including betterments of existing facilities, are recorded at cost. Property and equipment are stated at cost less accumulated depreciation. Depreciation is provided by use of the straight-line method over the estimated useful lives of the assets. When properties are retired or otherwise disposed of, the appropriate accounts are relieved of cost and accumulated depreciation, and any resulting gain or loss is recognized.

Long-lived assets, such as buildings and improvements, and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the consolidated balance sheets and reported at the lower of the carrying amount or fair value less costs to sell and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the consolidated balance sheets as well. Depreciation expense for the years ended December 31, 2024 and 2023 was \$1,866,370 and \$1,873,240, respectively.

The assets' estimated lives used in computing depreciation are as follows:

Buildings and improvements	5 - 30 years
Equipment	3 - 15 years

Construction-in-progress represented costs incurred to date for building expansion and renovations. The Hospital has commitments of \$0 related to the architectural design, construction, and furnishing related to the building expansion as of December 31, 2024. As of December 31, 2024 and 2023, \$477,906 and \$39,871, respectively, of capital expenditures had been incurred related to this project and is recorded within construction-in-progress.

Leases: Leases are recorded in accordance with ASC 842. Right-of-use ("ROU") lease assets represent the Hospital's right to use an underlying asset for the lease term and lease liabilities represent the Hospital's obligation to make payments in exchange for that right of use. The Hospital elected to use the risk-free rate as the discount rate when evaluating the value of lease payments, as allowable under private company practical expedients. The ROU asset, if applicable, is reduced by lease incentives, initial direct costs and adjusted by favorable lease assets and unfavorable lease liabilities. If the lease includes one or more options to extend the term of the lease, the renewal option is considered in the lease term if it is reasonably certain the Hospital will exercise the options. Operating lease expense is recognized on a straight-line basis over the term of the lease. Leases with an initial term of 12 months or less are not recorded on the balance sheet and are recognized as lease expense on a straight-line basis over the lease term. The Company accounts for lease components separately from non-lease components.

Medical Malpractice: The Hospital maintains medical malpractice insurance coverage on a claims-made basis. The Indiana Medical Malpractice Act provides for a maximum recovery of \$1,800,000 per occurrence for professional liability, \$500,000 of which would be paid through malpractice insurance coverage which the Hospital obtains through IU Health Risk Retention Group and the balance would be paid by the State of Indiana Patient Compensation Fund.

(Continued)

REHABILITATION HOSPITAL OF INDIANA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

At December 31, 2024, the Hospital is not aware of any specific material claims that would not be covered by its insurance carriers. The Hospital has estimated an incurred but not reported liability for \$103,766 and \$78,752 at December 31, 2024 and 2023, respectively, which is included in accounts payable and other accrued liabilities on the consolidated balance sheets. There are 4 and 8 open claims as of December 31, 2024 and 2023, respectively. Related to these open claims, the Hospital reported insurance liabilities of \$62,675 and \$374,931, included within accounts payable and other accrued liabilities on the consolidated balance sheets as of December 31, 2024 and 2023, respectively. Corresponding insurance receivables of the same amounts were included within prepaid expenses and other current assets as of December 31, 2024 and 2023.

Revenue in Excess of Expenses: The consolidated statements of operations include the revenue in excess of expenses as the performance indicator. Changes in net assets with donor restrictions are excluded from revenue in excess of expenses.

Contributions: Unconditional donor pledges to give cash, marketable securities, and other assets are reported at fair value at the date the pledge is made to the extent estimated to be collectible by the Hospital. Conditional donor promises to give and indications of intentions to give are not recognized until the condition is satisfied. Pledges received with donor restrictions that limit the use of the donated assets are reported as with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are transferred to revenues without donor restrictions and reported as unrestricted revenue in the statements of operations. Pledges and gifts received with a donor restriction that is satisfied in the same year that the pledge or gift is made are recorded as revenue without donor restrictions in the statements of operations.

Investments: Investments are carried at fair value. Realized and unrealized gains and losses are reflected in the consolidated statement of operations. For the years ended December 31, 2024 and 2023, unrealized gain on investments of \$10,613 and \$6,961, respectively, were recorded in other revenue. Investments are exposed to a variety of uncertainties, including interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is possible that changes in the values of these investments could occur in the near term.

Description of Net Assets: Net assets are classified into categories based upon the presence or absence of donor restrictions. Net assets with donor restrictions are those whose use by the Hospital has been limited by donors to a specific time period or purpose. These funds are primarily restricted to employee loans, research and sports programs. All other assets are considered without donor restrictions.

Income Taxes and Uncertain Tax Positions: The Hospital is a not-for-profit corporation pursuant to Section 501(c)(3) of the Internal Revenue Code and is exempt from income taxes on related income pursuant to Section 501(a). Accordingly, no provision for income taxes is required for the Hospital in the consolidated financial statements.

A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded.

The Hospital is no longer subject to examination by U.S. federal taxing authorities for years before 2020 and for all state income taxes through 2021. The Hospital does not expect the total amount of unrecognized tax positions to significantly change in the next 12 months.

The Hospital would recognize interest and/or penalties related to income tax matters in income tax expense. The Hospital has no amounts accrued for interest or penalties as of December 31, 2024 and 2023.

(Continued)

REHABILITATION HOSPITAL OF INDIANA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Costs: The Hospital expenses advertising costs as incurred. Advertising costs for the years ended December 31, 2024 and 2023 were \$36,825 and \$28,489, respectively.

Functional Allocation of Expenses: The costs of providing the various services and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the activities and supporting services (also referred to as fundraising) benefited. The expenses that are allocated include certain salaries and benefits, which are allocated using estimates of time and effort, as well as depreciation and interest expenses which are allocated based on square footage.

Revenue Recognition: The Hospital recognizes revenue in accordance with ASU 2014-09 – *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09). The core principle of the guidance in ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchanged for those goods or services. Under ASU 2014-09, the estimated uncollectable amounts due from uninsured or underinsured patients are generally considered implicit price concessions that are a direct reduction to net operating revenues, with a corresponding material reduction in the amounts presented separately as provision for doubtful accounts. For the years ended December 31, 2024 and 2023 approximately \$506,000 and \$119,000, respectively, was recorded of implicit price concessions as a direct reduction of net operating revenues that would have been recorded as provision for doubtful accounts prior to the adoption of ASC 606. For the years ended December 31, 2024 and 2023, \$1,635,106 and \$1,301,258 was recorded as direct reduction of accounts receivable that would have been reflected as allowance for doubtful accounts prior to the adoption of ASU 2014-09. See Note 2 for additional information.

Adoption of New Accounting Standard: In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) 326: *Measurement of Credit Losses on Financial Instruments*. This ASU significantly changed how entities measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from incurred loss model to the expected loss model. Financial assets held by the Hospital that are subject to the guidance of FASB ASC 326 include accounts receivable. The Hospital adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the consolidated financial statements.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to December 31, 2024 to determine the need for any adjustments to and/or disclosures within the financial statements for the year then ended. Management has performed their analysis through April 11, 2024, the date the financial statements were issued.

NOTE 2 - PATIENT SERVICE REVENUE

Patient care service revenue is reported at the amount that reflects the consideration to which the Hospital expects to be entitled in exchange for providing patient care. These amounts 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. Generally, the Hospital 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.

(Continued)

NOTE 2 - PATIENT SERVICE REVENUE (Continued)

Patients have roughly 120 days to make acceptable payment arrangements in order to avoid going to a collection agency. Interest-free internal payment arrangements are available.

Performance obligations are determined based on the nature of the services provided by the Hospital. Revenue for performance obligations satisfied over time is recognized based on actual services performed in relation to the total expected (or actual) services or is recognized as services are performed depending on the payor and the type of service performed. The Hospital 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. Generally, performance obligations satisfied over time relate to patients in our hospital receiving inpatient acute care services.

The Hospital 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. Revenue for performance obligations satisfied at a point in time is recognized when services are provided.

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

The Hospital determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Hospital's policy, and/or implicit price concessions provided to uninsured patients. The Hospital determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policy, and historical experience. The Hospital determines its estimate of implicit price concessions based on its historical collection experience from that category of payor.

Agreements with third-party payors typically provide for payments at amounts less than established charges. 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 outlier cost and stay cases may be subject to additional reimbursement. Physician services are paid based upon established fee schedules. Outpatient services are paid using prospectively determined rates.
- *Medicaid*: Reimbursements for Medicaid services are generally paid at prospectively determined Daily rates or per discharge rates.
- *Other*: Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined daily rates, per case rates or percent of charge reimbursement.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements.

(Continued)

NOTE 2 - PATIENT SERVICE REVENUE (Continued)

Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs.

There can be no assurance that regulatory authorities will not challenge the Hospital's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Hospital. In addition, the contracts the Hospital has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care.

These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Hospital's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of the cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in transaction price were not significant for the years ended December 31, 2024 and 2023.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Hospital also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. The Hospital estimates the transaction price for patients with deductibles and coinsurance, and from those who are uninsured, based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. For the years ended December 31, 2024 and 2023, no significant adjustments to revenue were recognized due to changes in the estimates of implicit price concessions for performance obligations satisfied in prior years. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense. Bad debt expense for the years ended December 31, 2024 and 2023 was not significant.

For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), a significant allowance for credit losses is recorded on the basis of historical experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. An estimate of the difference between contracted rates and amounts actually collected, after all reasonable collection efforts have been exhausted, is charged to the provision for credit losses and credited to the allowance for credit losses.

Consistent with the Hospital's mission, care is provided to patients regardless of their ability to pay. Therefore, the Hospital has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Hospital expects to collect based on its collection history with those patients. Patients who meet the Hospital's criteria for financial assistance or charity are provided care at amounts less than established rates or without charge. Such amounts determined to qualify are not reported as revenue.

(Continued)

REHABILITATION HOSPITAL OF INDIANA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 2 - PATIENT SERVICE REVENUE (Continued)

Records are maintained to identify and monitor the level of financial assistance and charity care provided including the amount of charges foregone for services and supplies furnished. The Hospital uses its direct and indirect costs of providing this care as the measurement basis for financial assistance and charity care disclosures.

The estimated cost incurred by the Hospital to provide these services to patients who are unable to pay was approximately \$119,342 and \$138,247 for the years ending December 31, 2024 and 2023, respectively. The estimated cost of these charity care services was determined using a ratio of cost to gross charges and applying that ratio to the gross charges associated with providing care to charity patients for the period.

Gross charges associated with providing care to charity patients includes only the related charges for those patients who are financially unable to pay and qualify under the Hospital's charity care policy and that do not otherwise qualify for reimbursement from a governmental program. During 2024 and 2023, the Hospital did not receive any funds to help defray the costs of indigent charity care.

The composition of net patient care service revenue by payor is as follows:

	<u>2024</u>	<u>2023</u>
Medicare	\$ 18,491,078	\$ 19,450,670
Medicaid	4,833,124	4,998,859
Other	<u>21,337,858</u>	<u>20,063,879</u>
Total	<u>\$ 44,662,060</u>	<u>\$ 44,513,408</u>

The Hospital has elected the practical expedient 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 the Hospital'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, the Hospital does, in certain instances, enter into payment agreements 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.

NOTE 3 - LONG-TERM DEBT

Long-term debt at December 31, 2024 and 2023, consists of the following:

	<u>2024</u>	<u>2023</u>
Indiana University Health related party note payable, payable through November 2031. Interest payable monthly at fixed rate of 2.22% at December 31, 2024.	\$ 6,980,000	\$ 7,920,000
Less: current portion of long-term debt	<u>(950,000)</u>	<u>(940,000)</u>
Long-term debt	<u>\$ 6,030,000</u>	<u>\$ 6,980,000</u>

(Continued)

REHABILITATION HOSPITAL OF INDIANA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 3 - LONG-TERM DEBT (Continued)

Effective December 16, 2022, the Joint Venture agreement for the Hospital was amended to include a note payable through the IU Health Treasury Management Program for the principal balance of \$8,840,000. The note is payable through November 2031 with interest payable monthly at a fixed rate of 2.22% per annum. Proceeds from this note payable were used to repay the Series 2011 Bonds in full. As the bonds were repaid, there were no covenants in effect for the year ended December 31, 2024.

At December 31, 2024, maturities of long-term debt are as follows:

2025	\$ 950,000
2026	965,000
2027	985,000
2028	1,000,000
2029	1,020,000
Thereafter	<u>2,060,000</u>
Total	<u>\$ 6,980,000</u>

NOTE 4 - RETIREMENT PLAN

The Hospital has established a defined contribution retirement plan (the Plan) which covers substantially all employees; however, there are different provisions for the discretionary contribution and the matching contribution, as defined separately below.

For an employee to be eligible for the discretionary contribution component of the Plan, the employee must have worked at least 1,000 hours in the last 12 months and have been employed a minimum of one year as of December 31. This plan exercises a "cliff" vesting schedule, where employees are not vested until they have reached three years of service (effective January 1, 2007), at which time they are fully vested.

For the 401(k) matching component of the Plan, the employee is not eligible for the match until one year of service is achieved. The employee is immediately 100% vested in the employer matching component of the Plan. Contributions by the Hospital for the 401(k) matching contribution are based on the employees' annual earnings. Contributions of \$634,814 and \$626,316 were expensed in 2024 and 2023, respectively.

NOTE 5 - RELATED PARTY TRANSACTIONS

The Hospital contracts with affiliates of IU Health, St. Vincent Health, and United Hospital Services for various services. Fees for laundry, linen, laboratory, insurance, physician services and overlap payments amounted to \$1,930,492 and \$2,174,237 in 2024 and 2023, respectively. As of December 31, 2024 and 2023, accounts payable and other accrued liabilities includes \$178,194 and \$368,085 with related parties, respectively. Also included in the 2024 and 2023 accounts payable and other accrued liabilities on the consolidated balance sheets are intercompany balances of \$44,827 and \$953,550, respectively, which are eliminated in consolidation. As of December 31, 2024 and 2023, the Hospital holds long-term debt with IU Health, as disclosed in Note 3.

(Continued)

REHABILITATION HOSPITAL OF INDIANA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 6 - EMPLOYEE HEALTH BENEFIT PLAN

The Hospital participates in a self-funded health insurance plan covering substantially all employees. Covered services include medical benefits and prescription drugs. The plan has annual reinsurance coverage for a maximum eligible claim expense per incident per covered person in excess of \$285,000 for the first incident, and \$145,000 for each subsequent incident per covered person.

The Hospital recorded a provision for claims incurred but not reported, which amounted to \$488,150 and \$281,658 at December 31, 2024 and 2023, respectively, and is included in salaries, wages, and related liabilities on the consolidated balance sheets. Expenses of the plan for 2024 and 2023 were \$2,690,682 and \$2,945,883, respectively. The plan includes no claimants who exceeded the stop-loss in 2024 and two claimants that exceeded the stop-loss in 2023. The Hospital recorded a re-insurance receivable related to these claims, included within prepaid expenses and other current assets on the consolidated balance sheets, of \$0 and \$374,467 as of December 31, 2024 and 2023, respectively.

NOTE 7 - LEASES

The Hospital leases facilities and equipment under operating leases expiring at various dates through August 2027. Total rental expense in 2024 and 2023 for all operating leases was \$422,272 and \$586,338, respectively. Rent expense for the year ended December 31, 2024 was comprised of \$123,047 of operating lease costs and \$299,225 of short-term lease costs.

For operating leases, the Company recognizes a lease liability at the present value of the future lease payments over the lease term, discounted using the risk-free rate at lease commencement, and a corresponding right-of-use asset ("ROU asset") at the amount of the lease liability plus or minus any prepaid or accrued lease payments. Operating lease cost is calculated so that the remaining cost of the lease is allocated over the remaining lease term on a straight-line basis.

The Hospital also has short-term lease arrangements, primarily related to hospital equipment and bed rentals. The Hospital does not recognize lease assets and lease liabilities for short-term leases but rather recognizes short-term lease cost related to this arrangement as such obligations are incurred.

The following is a summary of other information related to operating leases for the years ended December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Weighted-average remaining lease term – operating leases	2.75 years	1.39 years
Weighted-average discount rate – operating leases	1.26%	1.03%

The following is a summary of the maturities of lease liabilities as of December 31, 2024:

2025	\$ 8,100
2026	8,100
2027	<u>6,075</u>
Total lease payments	22,275
Less: imputed interest	<u>(392)</u>
Total lease obligations	21,883
Less: current portion of lease liabilities	<u>(7,870)</u>
Lease liabilities, net of current portion	<u>\$ 14,013</u>

(Continued)

REHABILITATION HOSPITAL OF INDIANA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 8 - CONTINGENCIES

The Hospital is the defendant in certain litigation arising in the ordinary course of business. In the opinion of management, such items are adequately covered by insurance or their ultimate outcome will not have a material impact on the financial position of the Hospital.

NOTE 9 - NON-COMPETE AGREEMENT

As part of the joint venture agreement to form the Hospital, the corporate members entered into a non-compete agreement in effect for the term of the joint venture and for a period of thirty-six months after its termination. The non-compete agreement prohibits the members, directly or indirectly, from providing adult inpatient rehabilitation medicine services or outpatient rehabilitation services that compete with services provided by the Hospital within Marion and contiguous counties.

NOTE 10 - LIQUIDITY AND AVAILABILITY

The Hospital's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date comprise the following:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 3,860,545	\$ 3,516,688
Accounts receivable	6,001,251	5,149,118
Investments	215,812	205,199
Less: net assets with donor restrictions	<u>(669,023)</u>	<u>(826,407)</u>
	<u>\$ 9,408,585</u>	<u>\$ 8,044,598</u>

The Hospital has certain donor-restricted assets limited to use which are available for general expenditures within one year in the normal course of operations. Accordingly, these assets have been included in the quantitative information above for financial assets to meet general expenditures within one year.

As part of the Hospital's liquidity management plan, the Hospital invests its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Hospital has a goal to maintain financial assets on hand to meet 60-90 days of normal operating expenses, which are, on average \$8,060,000 - \$12,090,000. As part of the Hospital's liquidity management plan, cash in excess of monthly requirements is invested in money market funds based on the Hospital's investment policy. The Hospital typically collects accounts receivable within one year of the date of service.

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2024</u>	<u>2023</u>
Subject to expenditure for specified purposes:		
Sports and opportunity	\$ 461,391	\$ 515,625
Research	181,546	256,288
Assistance	<u>26,086</u>	<u>54,494</u>
	<u>\$ 669,023</u>	<u>\$ 826,407</u>

(Continued)

REHABILITATION HOSPITAL OF INDIANA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets released from donor restrictions are as follows:

	<u>2024</u>	<u>2023</u>
Subject to expenditure for specified purposes:		
Sports and opportunity	\$ 224,706	\$ 331,964
Research	223,727	211,962
Assistance	<u>95,367</u>	<u>9,631</u>
	<u>\$ 543,800</u>	<u>\$ 553,557</u>

SUPPLEMENTARY INFORMATION

REHABILITATION HOSPITAL OF INDIANA, INC.
CONSOLIDATING BALANCE SHEET
December 31, 2024

	<u>RHI</u>	<u>Foundation</u>	<u>Total Before Eliminations</u>	<u>Eliminations</u>	<u>Consolidated</u>
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 3,729,640	\$ 130,905	\$ 3,860,545	\$ -	\$ 3,860,545
Patient accounts receivable, net	6,001,251	-	6,001,251	-	6,001,251
Inventories	390,784	-	390,784	-	390,784
Prepaid expenses and other current assets	1,136,591	38,376	1,174,967	-	1,174,967
Investments	-	215,812	215,812	-	215,812
Total current assets	11,258,266	385,093	11,643,359	-	11,643,359
Property and equipment:					
Land	3,400,980	-	3,400,980	-	3,400,980
Buildings and improvements	33,842,525	-	33,842,525	-	33,842,525
Equipment	19,807,181	92,916	19,900,097	-	19,900,097
Construction-in-progress	147,090	330,816	477,906	-	477,906
	57,197,776	423,732	57,621,508	-	57,621,508
Less: accumulated depreciation	36,411,653	91,889	36,503,542	-	36,503,542
Total property and equipment, net	20,786,123	331,843	21,117,966	-	21,117,966
Other assets					
Right-of-use asset	21,882	-	21,882	-	21,882
Due from hospital	-	44,827	44,827	(44,827)	-
Total other assets	21,882	44,827	66,709	(44,827)	21,882
Total assets	\$ 32,066,271	\$ 761,763	\$ 32,828,034	\$ (44,827)	\$ 32,783,207

(Continued)

REHABILITATION HOSPITAL OF INDIANA, INC.
CONSOLIDATING BALANCE SHEET
December 31, 2024

	<u>RHI</u>	<u>Foundation</u>	<u>Total Before Eliminations</u>	<u>Eliminations</u>	<u>Consolidated</u>
LIABILITIES AND NET ASSETS					
Current liabilities:					
Accounts payable and other accrued liabilities	\$ 3,036,997	\$ 35,599	\$ 3,072,596	\$ (11,949)	\$ 3,060,647
Salaries, wages, and related liabilities	3,062,133	10,153	3,072,286	-	3,072,286
Accrued interest	5,840	-	5,840	-	5,840
Current portion of long-term debt	950,000	-	950,000	-	950,000
Current portion of lease liabilities	7,870	-	7,870	-	7,870
Third-party settlements	933,405	-	933,405	-	933,405
Total current liabilities	7,996,245	45,752	8,041,997	(11,949)	8,030,048
Due to foundation	32,878	-	32,878	(32,878)	-
Long-term portion of lease liabilities	14,013	-	14,013	-	14,013
Long-term debt	6,030,000	-	6,030,000	-	6,030,000
Total long-term liabilities	6,076,891	-	6,076,891	(32,878)	6,044,013
Total liabilities	14,073,136	45,752	14,118,888	(44,827)	14,074,061
Net assets:					
Without donor restrictions	17,993,135	46,988	18,040,123	-	18,040,123
With donor restrictions	-	669,023	669,023	-	669,023
Total net assets	17,993,135	716,011	18,709,146	-	18,709,146
Total liabilities and net assets	\$ 32,066,271	\$ 761,763	\$ 32,828,034	\$ (44,827)	\$ 32,783,207

See accompanying independent auditor's report.

REHABILITATION HOSPITAL OF INDIANA, INC.
CONSOLIDATING BALANCE SHEET
December 31, 2023

	<u>RHI</u>	<u>Foundation</u>	<u>Total Before Eliminations</u>	<u>Eliminations</u>	<u>Consolidated</u>
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 2,802,437	\$ 714,251	\$ 3,516,688	\$ -	\$ 3,516,688
Patient accounts receivable	5,149,118	-	5,149,118	-	5,149,118
Inventories	516,751	-	516,751	-	516,751
Prepaid expenses and other current assets	1,750,444	41,650	1,792,094	-	1,792,094
Investments	-	205,199	205,199	-	205,199
Total current assets	10,218,750	961,100	11,179,850	-	11,179,850
Property and equipment:					
Land	3,263,680	-	3,263,680	-	3,263,680
Buildings and improvements	33,826,782	-	33,826,782	-	33,826,782
Equipment	19,893,751	97,112	19,990,863	-	19,990,863
Construction-in-progress	39,781	-	39,781	-	39,781
	57,023,994	97,112	57,121,106	-	57,121,106
Less: accumulated depreciation	34,554,493	94,052	34,648,545	-	34,648,545
Total property and equipment, net	22,469,501	3,060	22,472,561	-	22,472,561
Other assets					
Right-of-use asset	135,547	-	135,547	-	135,547
Due from foundation	965,143	-	965,143	(965,143)	-
Total other assets	1,100,690	-	1,100,690	(965,143)	135,547
Total assets	<u>\$ 33,788,941</u>	<u>\$ 964,160</u>	<u>\$ 34,753,101</u>	<u>\$ (965,143)</u>	<u>\$ 33,787,958</u>

(Continued)

REHABILITATION HOSPITAL OF INDIANA, INC.
CONSOLIDATING BALANCE SHEET
December 31, 2023

	<u>RHI</u>	<u>Foundation</u>	<u>Total Before Eliminations</u>	<u>Eliminations</u>	<u>Consolidated</u>
LIABILITIES AND NET ASSETS					
Current liabilities:					
Accounts payable and other accrued liabilities	\$ 4,169,140	\$ 27,024	\$ 4,196,164	\$ (11,593)	\$ 4,184,571
Salaries, wages, and related liabilities	2,762,698	8,290	2,770,988	-	2,770,988
Accrued interest	8,700	-	8,700	-	8,700
Current portion of long-term debt	940,000	-	940,000	-	940,000
Current portion of lease liabilities	113,665	-	113,665	-	113,665
Third-party settlements	829,606	-	829,606	-	829,606
Total current liabilities	8,823,809	35,314	8,859,123	(11,593)	8,847,530
Due to hospital	-	953,550	953,550	(953,550)	-
Long-term portion of lease liabilities	21,882	-	21,882	-	21,882
Long-term debt	6,980,000	-	6,980,000	-	6,980,000
Total long-term liabilities	7,001,882	953,550	7,955,432	(953,550)	7,001,882
Total liabilities	15,825,691	988,864	16,814,555	(965,143)	15,849,412
Net assets:					
Without donor restrictions	17,963,250	(851,111)	17,112,139	-	17,112,139
With donor restrictions	-	826,407	826,407	-	826,407
Total net assets	17,963,250	(24,704)	17,938,546	-	17,938,546
Total liabilities and net assets	\$ 33,788,941	\$ 964,160	\$ 34,753,101	\$ (965,143)	\$ 33,787,958

See accompanying independent auditor's report.

REHABILITATION HOSPITAL OF INDIANA, INC.
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
Year ended December 31, 2024

	<u>RHI</u>	<u>Foundation</u>	<u>Total Before Eliminations</u>	<u>Eliminations</u>	<u>Consolidated</u>
Revenues without donor restrictions					
Patient service revenue, net	\$ 44,662,060	\$ -	\$ 44,662,060	\$ -	\$ 44,662,060
Other revenue	2,447,369	993,738	3,441,107	(638,232)	2,802,875
Donated services	-	368,625	368,625	(368,625)	-
Net assets released from restrictions	-	543,800	543,800	-	543,800
Total revenues	<u>47,109,429</u>	<u>1,906,163</u>	<u>49,015,592</u>	<u>(1,006,857)</u>	<u>48,008,735</u>
Expenses					
Program expenses	33,658,353	894,875	34,553,228	(368,625)	34,184,603
Management and general expenses	13,427,917	61,184	13,489,101	(638,232)	12,850,869
Fundraising expenses	-	61,184	61,184	-	61,184
Total expenses	<u>47,086,270</u>	<u>1,017,243</u>	<u>48,103,513</u>	<u>(1,006,857)</u>	<u>47,096,656</u>
Operating income	23,159	888,920	912,079	-	912,079
Nonoperating gain:					
Interest income	3,976	9,179	13,155	-	13,155
Gain on disposal of assets	2,750	-	2,750	-	2,750
	<u>6,726</u>	<u>9,179</u>	<u>15,905</u>	<u>-</u>	<u>15,905</u>
Revenue in excess of expenses	29,885	898,099	927,984	-	927,984
Net assests with donor restrictions:					
Contributions	-	386,416	386,416	-	386,416
Net assets released from restrictions	-	(543,800)	(543,800)	-	(543,800)
Change in net assets with donor restrictions	-	(157,384)	(157,384)	-	(157,384)
Change in net assets	29,885	740,715	770,600	-	770,600
Net assets, beginning of year	<u>17,963,250</u>	<u>(24,704)</u>	<u>17,938,546</u>	<u>-</u>	<u>17,938,546</u>
Net assets, end of year	<u>\$ 17,993,135</u>	<u>\$ 716,011</u>	<u>\$ 18,709,146</u>	<u>\$ -</u>	<u>\$ 18,709,146</u>

See accompanying independent auditor's report.

REHABILITATION HOSPITAL OF INDIANA, INC.
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
Year ended December 31, 2023

	<u>RHI</u>	<u>Foundation</u>	<u>Total Before Eliminations</u>	<u>Eliminations</u>	<u>Consolidated</u>
Revenues without donor restrictions					
Patient service revenue	\$ 44,513,408	\$ -	\$ 44,513,408	\$ -	\$ 44,513,408
Other revenue	2,279,831	108,947	2,388,778	-	2,388,778
Donated services	-	437,325	437,325	(437,325)	-
Net assets released from restrictions	-	553,557	553,557	-	553,557
Total revenues	46,793,239	1,099,829	47,893,068	(437,325)	47,455,743
Expenses					
Program expenses	32,981,239	1,015,567	33,996,806	(437,325)	33,559,481
Management and general expenses	12,554,732	65,450	12,620,182	-	12,620,182
Fundraising expenses	-	66,701	66,701	-	66,701
Total expenses	45,535,971	1,147,718	46,683,689	(437,325)	46,246,364
Operating income (loss)	1,257,268	(47,889)	1,209,379	-	1,209,379
Nonoperating gain:					
Interest income	3,136	6,961	10,097	-	10,097
	3,136	6,961	10,097	-	10,097
Revenue in (deficit) excess of expenses	1,260,404	(40,928)	1,219,476	-	1,219,476
Net assests with donor restrictions:					
Contributions	-	880,920	880,920	-	880,920
Net assets released from restrictions	-	(553,557)	(553,557)	-	(553,557)
Change in net assets with donor restrictions	-	327,363	327,363	-	327,363
Change in net assets	1,260,404	286,435	1,546,839	-	1,546,839
Net assets, beginning of year	16,702,846	(311,139)	16,391,707	-	16,391,707
Net assets, end of year	\$ 17,963,250	\$ (24,704)	\$ 17,938,546	\$ -	\$ 17,938,546

See accompanying independent auditor's report.