



JACKSON COUNTY SCHNECK MEMORIAL HOSPITAL AND AFFILIATED ORGANIZATIONS

**FINANCIAL STATEMENTS
AND
REQUIRED SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2024 AND 2023

CPAs / ADVISORS



**JACKSON COUNTY SCHNECK MEMORIAL HOSPITAL
AND AFFILIATED ORGANIZATIONS**

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REPORT OF INDEPENDENT AUDITORS

Board of Trustees
 Jackson County Schneck Memorial Hospital
 and Affiliated Organizations
 Seymour, Indiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Jackson County Schneck Memorial Hospital (d/b/a Schneck Medical Center) and Affiliated Organizations (collectively the "Medical Center"), component units of Jackson County, which comprise the balance sheets and statements of fiduciary net position as of December 31, 2024 and 2023, and the related statements of operations and changes in net position, changes in fiduciary net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Medical Center as of December 31, 2024 and 2023, and the respective changes in its net position 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 and the *Uniform Compliance Guidelines for Audits of Hospitals and State and Local Governments by Authorized Independent Public Accountants*, issued by the Indiana State Board of Accounts, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the Medical Center 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.

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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 the Medical Center's ability to continue as a going concern for twelve months beyond the statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 generally accepted auditing standards and *Government Auditing Standards* 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 substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement 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 the Medical Center'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Medical Center'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.

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Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, and the schedules of pension plan information on pages i-x and 58-59, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2025, on our consideration of the Medical Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Medical Center's internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Medical Center's internal control over financial reporting and compliance.

Blue & Co., LLC

Louisville, Kentucky
April 29, 2025

JACKSON COUNTY SCHNECK MEMORIAL HOSPITAL AND AFFILIATED ORGANIZATIONS

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2024 AND 2023

Management's discussion and analysis of the financial performance of Jackson County Schneck Memorial Hospital (d/b/a Schneck Medical Center) (the "Hospital") and Affiliated Organizations (collectively the "Medical Center") provides an overview of the Medical Center's financial activities and performance for the years ended December 31, 2024 and 2023. This discussion and analysis should be read in conjunction with the accompanying Medical Center's financial statements.

FINANCIAL HIGHLIGHTS

The Medical Center's net position increased by \$26,003,509 from 2023 to 2024. During 2024, the Medical Center's total operating revenue increased by 7.5% to \$392,793,899 with total operating expenses increasing by 7.2% to \$379,521,073.

- The Medical Center raised rates by 2% in 2024.
- Additional physicians were added in the areas of primary care, anesthesia, pain management, psychiatry, nephrology, and general surgery. Volume increases in physician practices were noted in orthopedics/podiatry, nephrology, pain management, pulmonology, internal medicine, endocrinology, neurology, OB/GYN, and pediatrics.
- Several construction projects were completed during the year including the remodel of the fifth floor OB unit and addition of a Level II nursery, design and build out of the third floor of the Schneck Professional Building to allow for expansion of orthopedics and podiatry physician practices and a complete renovation of the third floor medical/surgical inpatient nursing unit. Replacement of the Heating/Ventilation/Air/Cooling unit at the Cancer Center and addition of a second mammography unit were completed in 2024. Construction projects started but not yet complete include design and build out of the second floor of the Schneck Professional Building to allow for expansion of primary care and pediatric physician practices as well as expansion of the existing laboratory. During the year, implementation of a new Electronic Health Record and related support modules was started with go-live estimated in fall 2025.
- Salaries and benefits costs increased \$7,220,237 primarily due to the use of agency labor to cover labor shortages in patient care areas. The cost of agency labor amounted to more than \$5.4 million for 2024. Market rate adjustments were also made for many positions in order to remain competitive in the local job market.

The Medical Center's net position increased \$28,925,122 from 2022 to 2023. During 2023, the Medical Center's total operating revenue increased by 8.2% to \$365,471,913 with total operating expenses increasing by 5.5% to \$354,156,839.

- The Medical Center did not raise rates during 2023.
- Additional physicians were added in the areas of internal medicine/hospitalist, urgent care, and podiatry. With the exception of urgent care, volume increases were seen in these areas as well as

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primary care, orthopedics, surgery, sleep, endocrinology, neurology, urology, OB/GYN, and pediatrics.

- The new linear accelerator was placed into service at the Cancer Center to replace an existing one. A CT Scan suite with a new CT Scan machine was completed. The registration and triage areas of the emergency department were remodeled and a new surgical instrument sterilizer system was installed. Several large construction projects were also started during the year including the remodel of the fifth floor OB unit and addition of a Level II nursery, design and build out of the third floor of the Schneck Professional Building to allow for expansion of orthopedics and podiatry physician practices, addition of two sleep study rooms and a complete renovation of the third floor medical/surgical inpatient nursing unit.
- Salaries and benefits costs increased \$11,155,593 primarily due to the use of agency labor to cover labor shortages in patient care areas. The cost of agency labor amounted to more than \$6.2 million for 2023. Market rate adjustments were also made for many positions in order to remain competitive in the local job market.
- During 2023, the Medical Center adopted Government Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*, which requires certain leases to be recorded in the statement of net position.

FINANCIAL STATEMENTS

The financial statements of the Medical Center present information about the Medical Center using financial reporting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information. The balance sheets include all of the Medical Center's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to the Medical Center's creditors (liabilities). It also provides the basis for compiling rate of return, evaluating the capital structure of the Medical Center, and assessing the liquidity and financial flexibility of the Medical Center. All of the current and prior year's revenues and expenses are accounted for in the statements of operations and changes in net position. This statement measures the financial results of the Medical Center's operations and presents revenues earned and expenses incurred. The statements of cash flows provide information about the Medical Center's cash flows from operating activities, capital and related financing activities, and investing activities, plus provide information on the sources and uses of cash during both the current and prior year.

FINANCIAL ANALYSIS

The balance sheets and the statements of operations and changes in net position report information about the Medical Center's activities. These two statements report the net position of the Medical Center and its changes. Increases or decreases in the Medical Center's net position are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in

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economic conditions, population changes (including uninsured and medically indigent individuals and families), and new or changed governmental legislation should also be considered.

CONDENSED FINANCIAL INFORMATION

A summary of the Medical Center's balance sheets as of December 31, 2024 and 2023 is presented below:

	2024	2023	\$ Change	% Change
Assets				
Current assets	\$ 161,905,607	\$ 166,156,125	\$ (4,250,518)	-2.6%
Capital assets, net	139,090,849	130,561,868	8,528,981	6.5%
Other assets	<u>285,587,774</u>	<u>252,645,697</u>	<u>32,942,077</u>	13.0%
Total assets	586,584,230	549,363,690	37,220,540	6.8%
Deferred outflows	<u>3,264,190</u>	<u>7,090,127</u>	<u>(3,825,937)</u>	-54.0%
Total assets and deferred outflows	<u>\$ 589,848,420</u>	<u>\$ 556,453,817</u>	<u>\$ 33,394,603</u>	6.0%
Liabilities				
Current liabilities	\$ 62,962,590	\$ 55,898,639	\$ 7,063,951	12.6%
Long-term liabilities	<u>33,263,298</u>	<u>33,659,207</u>	<u>(395,909)</u>	-1.2%
Total liabilities	96,225,888	89,557,846	6,668,042	7.4%
Pension deferred inflows	<u>5,437,712</u>	<u>4,714,660</u>	<u>723,052</u>	15.3%
Total liabilities and deferred inflows	101,663,600	94,272,506	7,391,094	7.8%
Net position				
Net investment in capital assets	119,620,568	108,077,612	11,542,956	10.7%
Restricted expendable net position	2,490,309	2,510,718	(20,409)	-0.8%
Restricted nonexpendable net position	325,103	319,867	5,236	1.6%
Unrestricted	<u>365,748,840</u>	<u>351,273,114</u>	<u>14,475,726</u>	4.1%
Total net position	<u>488,184,820</u>	<u>462,181,311</u>	<u>26,003,509</u>	5.6%
Total liabilities and net position	<u>\$ 589,848,420</u>	<u>\$ 556,453,817</u>	<u>\$ 33,394,603</u>	6.0%

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A summary of the Medical Center's balance sheets as of December 31, 2023 and 2022 is presented below:

	2023	2022	\$ Change	% Change
Assets				
Current assets	\$ 166,156,125	\$ 163,884,606	\$ 2,271,519	1.4%
Capital assets, net	130,561,868	133,088,741	(2,526,873)	-1.9%
Other assets	252,645,697	218,374,107	34,271,590	15.7%
Total assets	549,363,690	515,347,454	34,016,236	6.6%
Deferred outflows	7,090,127	10,477,443	(3,387,316)	-32.3%
Total assets and deferred outflows	<u>\$ 556,453,817</u>	<u>\$ 525,824,897</u>	<u>\$ 30,628,920</u>	5.8%
Liabilities				
Current liabilities	\$ 55,898,639	\$ 51,615,986	\$ 4,282,653	8.3%
Long-term liabilities	33,659,207	34,051,439	(392,232)	-1.2%
Total liabilities	89,557,846	85,667,425	3,890,421	4.5%
Pension deferred inflows	4,714,660	6,901,283	(2,186,623)	-31.7%
Total liabilities and deferred inflows	94,272,506	92,568,708	1,703,798	1.8%
Net position				
Net investment in capital assets	108,077,612	108,310,958	(233,346)	-0.2%
Restricted expendable net position	2,510,718	2,818,738	(308,020)	-10.9%
Restricted nonexpendable net position	319,867	312,157	7,710	2.5%
Unrestricted	351,273,114	321,814,336	29,458,778	9.2%
Total net position	<u>462,181,311</u>	<u>433,256,189</u>	<u>28,925,122</u>	6.7%
Total liabilities and net position	<u>\$ 556,453,817</u>	<u>\$ 525,824,897</u>	<u>\$ 30,628,920</u>	5.8%

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**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
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CONDENSED FINANCIAL INFORMATION

A summary of the Medical Center's statements of operations and changes in net position for the years ended December 31, 2024 and 2023 is presented below:

	2024	2023	\$ Change	% Change
Operating revenues				
Net patient service revenue	\$ 387,959,872	\$ 361,710,300	\$ 26,249,572	7.3%
Other revenue	4,834,027	3,761,613	1,072,414	28.5%
Total operating revenues	392,793,899	365,471,913	27,321,986	7.5%
Operating expenses				
Salaries and benefits	204,075,109	196,854,872	7,220,237	3.7%
Supplies and drugs	53,348,531	47,643,514	5,705,017	12.0%
Depreciation and amortization	14,304,841	13,959,478	345,363	2.5%
Other operating expenses	107,792,592	95,698,975	12,093,617	12.6%
Total operating expenses	379,521,073	354,156,839	25,364,234	7.2%
Income from operations	13,272,826	11,315,074	1,957,752	17.3%
Nonoperating revenues				
	12,730,683	17,610,048	(4,879,365)	27.7%
Change in net position	\$ 26,003,509	\$ 28,925,122	\$ (2,921,613)	-10.1%
Net position, end of year	\$ 488,184,820	\$ 462,181,311	\$ 26,003,509	5.6%

A summary of the Medical Center's statements of operations and changes in net position for the years ended December 31, 2023 and 2022 is presented below:

	2023	2022	\$ Change	% Change
Operating revenues				
Net patient service revenue	\$ 361,710,300	\$ 334,652,192	\$ 27,058,108	8.1%
Other revenue	3,761,613	3,185,965	575,648	18.1%
Total operating revenues	365,471,913	337,838,157	27,633,756	8.2%
Operating expenses				
Salaries and benefits	196,854,872	185,699,279	11,155,593	6.0%
Supplies and drugs	47,643,514	43,528,781	4,114,733	9.5%
Depreciation and amortization	13,959,478	14,375,704	(416,226)	-2.9%
Other operating expenses	95,698,975	92,102,568	3,596,407	3.9%
Total operating expenses	354,156,839	335,706,332	18,450,507	5.5%
Income from operations	11,315,074	2,131,825	9,183,249	430.8%
Nonoperating revenues				
	17,610,048	(20,577,515)	38,187,563	185.6%
Change in net position	\$ 28,925,122	\$ (18,445,690)	\$ 47,370,812	-256.8%
Net position, end of year	\$ 462,181,311	\$ 433,256,189	\$ 28,925,122	6.7%

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SOURCES OF REVENUE

The Medical Center derives the majority of its revenue from charges for patient care and related services. The Medical Center is reimbursed for services from a variety of sources including the Medicare and Medicaid programs, insurance carriers, managed care plans, and patients. The Medical Center has established payment arrangements with Medicare, Medicaid, and various commercial insurance carriers. Services provided under those arrangements are paid at predetermined rates and/or reimbursable cost as defined. Provisions have been made in the financial statements for contractual adjustments representing the difference between the standard charges for services and the actual or estimated payment.

The Medical Center's percentages of gross revenue by payor for 2024, 2023, and 2022 are as follows:

Payor Mix	2024	2023	2022
Medicare	38 %	39 %	39 %
Medicaid	29	27	27
Blue Cross	17	18	17
Other third-party payors	12	11	13
Self-pay	4	5	4
Total	100 %	100 %	100 %

OPERATING AND FINANCIAL PERFORMANCE

The Medical Center's financial performance from operations and overall financial performance were both positive in 2024. A discussion of the highlights of 2024 operations and changes in activity is presented below:

Revenues

The Medical Center's net patient service revenues increased by \$26,249,572 in 2024. Highlights of this change are as follows:

- The Medical Center increased rates by 2% in 2024.
- Patient volume increases were noted for inpatient admissions, births, radiology, laboratory, emergency department visits, respiratory therapy, and rehab (physical and occupational therapy).
- Additional physicians were added in the areas of primary care, anesthesia, pain management, psychiatry, nephrology, and general surgery. Volume increases in physician practices were noted in orthopedics/podiatry, nephrology, pain management, pulmonology, internal medicine, endocrinology, neurology, OB/GYN, and pediatrics.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2024 AND 2023

Expenses

Total operating expenses increased by \$25,364,234 in 2024. Highlights of this change are as follows:

- Salaries and benefits costs increased \$7,220,237 primarily due to the use of agency labor to cover labor shortages in patient care areas. The cost of agency labor amounted to more than \$5.4 million for 2024. Market rate adjustments were also made for many positions in order to remain competitive in the local job market.
- Other operating expenses increased \$12,093,617 due to increases in insurance, maintenance contracts, contract physician fees, supplies, drugs and Medicaid hospital assessment fees.

Nonoperating revenue (expenses)

- Nonoperating revenue (expenses) decreased by roughly \$4,879,365 due to weaker investment performance during 2024.

The Medical Center's financial performance from operations was positive in 2023 and 2022. A discussion of the highlights of 2023 operations and changes in activity is presented below:

Revenues

The Medical Center's net patient service revenues increased by \$27,058,108 in 2023. Highlights of this change are as follows:

- The Medical Center did not raise rates during 2023.
- Patient volume increases were noted for births, surgeries, radiology, laboratory, home health and rehab (physical, occupational, and speech).
- Additional physicians were added in the areas of internal medicine/hospitalist, urgent care, and podiatry. With the exception of urgent care, volume increases were seen in these areas as well as primary care, orthopedics, surgery, sleep, endocrinology, neurology, urology, and OB/GYN.

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Expenses

Total operating expenses increased by \$18,450,507 in 2023. Highlights of this change are as follows:

- Salaries and benefits costs increased \$11,155,593 primarily due to the use of agency labor to cover labor shortages in patient care areas. The cost of agency labor amounted to more than \$6.2 million for 2023. Market rate adjustments were also made for many positions in order to remain competitive in the local job market.
- Other operating expenses increased \$3,596,407 due to increases in insurance, maintenance contracts, and Medicaid hospital assessment fees.

Nonoperating revenue (expenses)

- Nonoperating revenue (expenses) increased by roughly \$38,187,563 due to strong investment performance during 2023.

FINANCIAL ANALYSIS – CASH FLOWS

The Medical Center's 2024 cash flows increased \$3,776,437 primarily due to an increase in short term investments placed in certificates of deposits.

The Medical Center's 2023 cash flows decreased \$6,296,115 primarily due to an increase in short term investments placed in certificates of deposits.

FIDUCIARY FUNDS

Fiduciary funds are used to account for resources held for the benefit of individuals or units outside of the Medical Center. The Medical Center is the trustee or fiduciary responsible for assets, which can be used only for the trust beneficiaries per trust arrangements. The Medical Center is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Medical Center's fiduciary activities are reported in separate statements of fiduciary net position and statements of changes in fiduciary net position. The accounting for fiduciary funds is much like that used for proprietary funds. The Medical Center's Employees' Pension Plan and 457(f) Executive Deferred Compensation Plan are reported under the fiduciary funds. Since the resources of these funds are not available to support the Medical Center's own programs, they are not reflected in the government-wide financial statements. The statements of fiduciary net position and the statements of changes in fiduciary net position can be found on pages 9 and 10, respectively, of this report.

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Capital Assets

	2024	2023	\$Change	%Change
Land and land improvements	\$ 17,720,329	\$ 16,842,927	\$ 877,402	5.2%
Buildings	169,860,552	162,739,545	7,121,007	4.4%
Equipment	86,607,410	79,110,325	7,497,085	9.5%
Intangible right-to-use assets	8,163,742	8,163,742	-0-	0.0%
Construction in progress	9,563,046	4,503,830	5,059,216	112.3%
	<u>291,915,079</u>	<u>271,360,369</u>	<u>20,554,710</u>	<u>7.6%</u>
Less accumulated depreciation	152,824,230	140,798,501	12,025,729	8.5%
Capital assets, net	<u>\$ 139,090,849</u>	<u>\$ 130,561,868</u>	<u>\$ 8,528,981</u>	<u>6.5%</u>

Net capital assets increased in 2024 due to several construction projects being completed during the year including the remodel of the fifth floor OB unit and addition of a Level II nursery, design and build out of the third floor of the Schneck Professional Building to allow for expansion of orthopedics and podiatry physician practices and a complete renovation of the third floor medical/surgical inpatient nursing unit. Replacement of the Heating/Ventilation/Air/Cooling unit at the Cancer Center and addition of a second mammography unit were completed in 2024. Construction projects started but not yet complete include design and build out of the second floor of the Schneck Professional Building to allow for expansion of primary care and pediatric physician practices as well as expansion of the existing laboratory. During the year, implementation of a new Electronic Health Record and related support modules was started with go-live estimated in fall 2025.

	2023	2022	\$Change	%Change
Land and land improvements	\$ 16,842,927	\$ 16,764,371	\$ 78,556	0.5%
Buildings	162,739,545	159,087,242	3,652,303	2.3%
Intangible right-to-use assets	8,163,742	7,859,129	304,613	3.9%
Equipment	79,110,325	76,795,497	2,314,828	3.0%
Construction in progress	4,503,830	7,747,531	(3,243,701)	-41.9%
	<u>271,360,369</u>	<u>268,253,770</u>	<u>3,106,599</u>	<u>1.2%</u>
Less accumulated depreciation	140,798,501	135,165,029	5,633,472	4.2%
Capital assets, net	<u>\$ 130,561,868</u>	<u>\$ 133,088,741</u>	<u>\$ (2,526,873)</u>	<u>-1.9%</u>

Net capital assets decreased in 2023 due to retirement of unused assets.

See additional information on capital assets in the notes to the financial statements in footnote number 5.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2024 AND 2023

Long-Term Debt

At December 31, 2024, the Medical Center had long-term debt (including current portion) of \$19,470,281 which is comprised of revenue bonds outstanding as well as various right-to-use lease and subscription-based information technology arrangement liabilities.

At December 31, 2023, the Medical Center had long-term debt (including current portion) of \$22,484,256 which is comprised of revenue bonds outstanding as well as various right-to-use lease and subscription-based information technology arrangement liabilities.

ECONOMIC FACTORS AND 2025 BUDGET

The Medical Center's Board and management considered many factors when establishing the 2025 budget. Included was the status of the economy, which takes into consideration market factors and other environmental factors such as the following items:

- Advances in medical equipment and information systems technology and the need to replace obsolete equipment
- Decreasing reimbursement from governmental and commercial insurance payors
- Increasing costs of supplies, drugs and services
- Nationwide workforce shortages in nursing and other healthcare specialist positions
- Expectation to maintain high quality of care
- Patient sensitivity to amount charged for services provided
- Community need of greater access to healthcare
- Increased competition from niche providers
- Size, composition, and needs of the Medical Center's physician medical staff
- Volatility in the investment markets affecting returns on invested assets

CONTACTING THE MEDICAL CENTER

This report is designed to provide our citizens, customers and creditors with a general overview of the Medical Center's finances. These financial statements include the activities of the Hospital, Jackson County Schneck Memorial Hospital Foundation (the "Foundation"), Jackson Medical Building, LLC, and Health Development Corporation and Affiliated Organization ("HDC"). Separately-issued audited financial statements are available for both HDC and the Foundation. If you have questions about this report or need additional information, contact Deborah Mann, Vice President of Finance at 812-522-0171.

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**JACKSON COUNTY SCHNECK MEMORIAL HOSPITAL
AND AFFILIATED ORGANIZATIONS**

**BALANCE SHEETS
DECEMBER 31, 2024 AND 2023**

ASSETS

	2024	2023
Current assets		
Cash and cash equivalents	\$ 80,072,795	\$ 90,539,652
Investments	26,367,463	26,138,440
Patient accounts receivable, net of estimated uncollectibles of \$28,678,369 in 2024 and \$25,316,934 in 2023	38,200,317	35,029,477
Inventories	5,973,175	6,000,019
Prepaid expenses and other current assets	10,686,279	7,762,496
Other assets, current portion	605,578	686,041
Total current assets	<u>161,905,607</u>	<u>166,156,125</u>
Assets whose use is limited		
Capital assets, net	270,648,311	238,978,856
Net pension asset	139,090,849	130,561,868
Other assets, net of current portion	8,344,273	4,328,093
Total assets	<u>6,595,190</u>	<u>9,338,748</u>
Deferred outflows		
Total assets and deferred outflows	<u>586,584,230</u>	<u>549,363,690</u>
	<u>3,264,190</u>	<u>7,090,127</u>
	<u><u>\$ 589,848,420</u></u>	<u><u>\$ 556,453,817</u></u>

See accompanying notes to financial statements.

**JACKSON COUNTY SCHNECK MEMORIAL HOSPITAL
AND AFFILIATED ORGANIZATIONS**

**BALANCE SHEETS
DECEMBER 31, 2024 AND 2023**

LIABILITIES AND NET POSITION

	<u>2024</u>	<u>2023</u>
Current liabilities		
Accounts payable	\$ 27,892,914	\$ 24,900,122
Accrued personnel costs	19,809,905	18,384,928
Accrued expenses	74,831	65,608
Estimated third-party payor settlements	12,689,104	9,534,003
Current portion of intangible right-to-use lease and subscription-based information technology		
agreement liabilities	1,147,542	1,709,252
Current portion of long-term debt	1,348,294	1,304,726
Total current liabilities	<u>62,962,590</u>	<u>55,898,639</u>
Long-term liabilities		
Intangible right-to-use lease and subscription-based information technology agreements, net of current portion	2,002,300	3,149,838
Long-term debt, net of current portion	14,972,145	16,320,440
Deferred compensation liabilities	16,288,853	14,188,929
Total long-term liabilities	<u>33,263,298</u>	<u>33,659,207</u>
Pension deferred inflows	<u>5,437,712</u>	<u>4,714,660</u>
Total liabilities and deferred inflows	101,663,600	94,272,506
Net position		
Net investment in capital assets	119,620,568	108,077,612
Restricted		
Expendable for donor-restricted purposes	2,490,309	2,510,718
Nonexpendable perpetual trust	325,103	319,867
Unrestricted	<u>365,748,840</u>	<u>351,273,114</u>
Total net position	<u>488,184,820</u>	<u>462,181,311</u>
Total liabilities and net position	<u>\$ 589,848,420</u>	<u>\$ 556,453,817</u>

See accompanying notes to financial statements.

**JACKSON COUNTY SCHNECK MEMORIAL HOSPITAL
AND AFFILIATED ORGANIZATIONS**

**STATEMENTS OF OPERATIONS AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
Operating revenues		
Net patient service revenue	\$ 387,959,872	\$ 361,710,300
Other revenue	4,834,027	3,761,613
Total operating revenues	<u>392,793,899</u>	<u>365,471,913</u>
Operating expenses		
Salaries and wages	183,356,548	174,292,541
Employee benefits and payroll taxes	20,718,561	22,562,331
Professional medical fees	3,976,352	2,550,228
Medical supplies	22,504,568	19,888,360
Other supplies	8,496,658	8,137,527
Drugs	22,347,305	19,617,627
Purchased services	56,230,892	46,621,491
Utilities	4,847,702	4,966,515
Insurance	5,165,033	4,993,006
Depreciation and amortization	14,304,841	13,959,478
Rent	19,765,386	18,998,673
Hospital assessment fee	9,847,345	8,871,978
Other operating expenses	7,959,882	8,697,084
Total operating expenses	<u>379,521,073</u>	<u>354,156,839</u>
Income from operations	13,272,826	11,315,074
Nonoperating revenues (expenses)	<u>12,730,683</u>	<u>17,610,048</u>
Change in net position	26,003,509	28,925,122
Net position, beginning of year	<u>462,181,311</u>	<u>433,256,189</u>
Net position, end of year	<u>\$ 488,184,820</u>	<u>\$ 462,181,311</u>

See accompanying notes to financial statements.

**JACKSON COUNTY SCHNECK MEMORIAL HOSPITAL
AND AFFILIATED ORGANIZATIONS**

**STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

	2024	2023
Operating activities		
Cash received for patient services	\$ 387,944,133	\$ 365,206,398
Cash paid to/for employees	(200,112,252)	(188,627,463)
Cash paid to vendors and suppliers	(160,463,170)	(150,837,375)
Other receipts, net	4,834,027	3,761,613
Net cash flows from operating activities	<u>32,202,738</u>	<u>29,503,173</u>
Noncapital financing activities		
Noncapital contributions	358,043	499,212
Grant revenue	<u>1,951,107</u>	<u>2,146,100</u>
Net cash flows from noncapital financing activities	<u>2,309,150</u>	<u>2,645,312</u>
Capital and related financing activities		
Principal payments on intangible right-to-use lease liabilities and subscription-based information technology agreements	(1,709,248)	(1,651,709)
Principal payments on long-term debt	(1,304,727)	(946,432)
Interest paid	(721,903)	(887,979)
Purchase of capital assets	(23,296,502)	(10,288,421)
(Gain) loss on disposal of capital assets	(15,344)	-0-
Net cash flows from capital and related financing activities	<u>(27,047,724)</u>	<u>(13,774,541)</u>
Investing activities		
Investment income	11,310,605	16,436,089
Other nonoperating revenues (expenses)	(167,169)	(583,374)
Change in investments	(229,023)	(17,568,241)
Change in assets whose use is limited	(17,426,161)	(20,504,764)
Change in other assets	2,824,021	(2,449,769)
Net cash flows from investing activities	<u>(3,687,727)</u>	<u>(24,670,059)</u>
Net change in cash and cash equivalents	<u>3,776,437</u>	<u>(6,296,115)</u>
Cash and cash equivalents, beginning of year	<u>179,829,857</u>	<u>186,125,972</u>
Cash and cash equivalents, end of year	<u>\$ 183,606,294</u>	<u>\$ 179,829,857</u>
Reconciliation of cash and cash equivalents to the balance sheets		
Cash and cash equivalents in current assets	\$ 80,072,795	\$ 90,539,652
Cash and cash equivalents in assets whose use is limited	<u>103,533,499</u>	<u>89,290,205</u>
Total cash and cash equivalents	<u>\$ 183,606,294</u>	<u>\$ 179,829,857</u>

See accompanying notes to financial statements.

**JACKSON COUNTY SCHNECK MEMORIAL HOSPITAL
AND AFFILIATED ORGANIZATIONS**

**STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

	2024	2023
Reconciliation of income from operations to net cash and cash equivalents from operating activities		
Income from operations	\$ 13,272,826	\$ 11,315,074
Adjustments to reconcile income from operations to net cash flows from operating activities		
Depreciation	14,209,988	13,864,625
Amortization	94,853	94,853
Provision for bad debts	17,265,677	12,640,519
Changes in operating assets and liabilities		
Patient accounts receivable	(20,436,517)	(15,269,006)
Inventories	26,844	(236,316)
Prepaid expenses and other current assets	(2,923,783)	(143,977)
Net pension asset	(4,016,180)	692,330
Pension and goodwill deferred outflows	3,731,084	3,292,463
Accounts payable	3,565,669	(7,143,449)
Accrued personnel costs	1,424,977	4,030,103
Accrued expenses	9,223	28,856
Estimated third-party payor settlements	3,155,101	6,124,585
Pension deferred inflows	723,052	(2,186,623)
Deferred compensation liabilities	<u>2,099,924</u>	<u>2,399,136</u>
Net cash flows from operating activities	<u>\$ 32,202,738</u>	<u>\$ 29,503,173</u>

Supplemental disclosures of noncash operating and capital and related financing activities

Property and equipment acquired included in accounts payable	\$ 171,840	\$ 744,717
Property and equipment acquired under intangible right-to-use lease liabilities and software-based information technology agreements	\$ -0-	\$ 304,614

See accompanying notes to financial statements.

**JACKSON COUNTY SCHNECK MEMORIAL HOSPITAL
AND AFFILIATED ORGANIZATIONS**

**STATEMENTS OF FIDUCIARY NET POSITION
DECEMBER 31, 2024 AND 2023**

	2024	2023
	Pension (and other employee benefit) trust funds	Pension (and other employee benefit) trust funds
Assets		
Investments at fair value		
Money market funds	\$ 1,551,457	\$ 1,055,604
Mutual funds	6,996,858	6,533,732
Exchange traded funds	9,211,743	8,398,641
Common stocks	27,636,332	25,434,465
Corporate bonds	33,065	29,595
Total investments	<u>45,429,455</u>	<u>41,452,037</u>
Total assets	<u><u>\$ 45,429,455</u></u>	<u><u>\$ 41,452,037</u></u>
Net position		
Restricted for:		
Pensions	\$ 44,074,187	\$ 40,402,972
Postemployment benefits other than pensions	<u>1,355,268</u>	<u>1,049,065</u>
Total net position	<u><u>\$ 45,429,455</u></u>	<u><u>\$ 41,452,037</u></u>

See accompanying notes to financial statements.

**JACKSON COUNTY SCHNECK MEMORIAL HOSPITAL
AND AFFILIATED ORGANIZATIONS**

**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
DECEMBER 31, 2024 AND 2023**

	2024	2023
	Pension (and other employee benefit) trust funds	Pension (and other employee benefit) trust funds
Additions		
Contributions:		
Employer	\$ 145,318	\$ 138,255
Investments earnings		
Net increase (decrease) in fair value	5,371,175	584,676
Interest, dividends, and other	975,590	911,530
Total investment earnings	<u>6,346,765</u>	<u>1,496,206</u>
Total additions	<u>6,492,083</u>	<u>1,634,461</u>
Deductions		
Benefits paid to participants or beneficiaries	2,465,616	2,440,930
Administrative expenses	49,049	74,014
Total deductions	<u>2,514,665</u>	<u>2,514,944</u>
Net increase (decrease) in fiduciary net position	3,977,418	(880,483)
Net position - beginning of year	<u>41,452,037</u>	<u>42,332,520</u>
Net position - end of year	<u><u>\$ 45,429,455</u></u>	<u><u>\$ 41,452,037</u></u>

See accompanying notes to financial statements.

JACKSON COUNTY SCHNECK MEMORIAL HOSPITAL AND AFFILIATED ORGANIZATIONS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Jackson County Schneck Memorial Hospital (d/b/a Schneck Medical Center) (the "Hospital") is a not-for-profit, acute care hospital located in Seymour, Indiana. The Hospital is county owned and operates under the Indiana County Hospital Law, Indiana Code 16-22. The Hospital is organized for the purpose of providing healthcare services to the residents of Jackson County and the surrounding area. The Hospital's primary sources of support are from patient revenues and other ancillary income. Patient revenues include funds received from Medicare, state agencies, insurance companies, and the patients themselves.

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

The Hospital has entered into lease agreements with the long-term care facilities, collectively referred to as the Lessors, to lease the facilities. Concurrently, the Hospital entered into agreements with the long-term care facilities to manage the above leased facilities, collectively referred to as the Managers. As part of the agreements, the Hospital will pay the Managers a management fee to continue managing the facilities on behalf of the Hospital in accordance with the terms of the agreements. These management fees consist of base management fees, subordinated management fees, and quarterly incentive payments. The agreements' initial terms expire at various times beginning in 2016 and beyond. The terms of these agreements may be renewed at the end of each term for an additional period of two years. All parties involved can terminate the agreement without cause with 90 days written notice. Other current assets and liabilities include certain reimbursement receivables, accrued fees and expenses, and working capital balances related to the long-term care facilities.

Health Development Corporation ("HDC") is a not-for-profit corporation located in Seymour, Indiana. HDC was organized to operate exclusively for the benefit of, to perform the functions of, and to carry out the purposes of the Hospital by recruiting physicians to the surrounding area and by providing medical education programs to the medical and Hospital staff. HDC's primary sources of revenue are from service fees charged to the Hospital.

JACKSON COUNTY SCHNECK MEMORIAL HOSPITAL AND AFFILIATED ORGANIZATIONS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

HDC's financial statements, include the accounts of Coordinated Health, LLC (the "Clinic"). The Clinic is wholly-owned by HDC and began operations in 2002. The Clinic was organized to operate exclusively for the benefit of HDC and the purposes for which HDC is organized and operated, including the promotion and support of the health of Jackson County, Indiana residents and residents of surrounding communities. Currently, the Clinic operates three healthcare facilities located in North Vernon, Salem, and Scottsburg, Indiana. The Clinic's primary source of revenue is from patient services. The Clinic's operations were transferred to the Hospital effective January 1, 2022.

The Jackson County Schneck Memorial Hospital Foundation, Inc. (d/b/a Schneck Medical Center Foundation) (the "Foundation") is a not-for-profit organization located in Seymour, Indiana. The Foundation operates for the benefit of the Hospital. The Foundation's main sources of revenue are earnings on investments, and donations received.

Jackson Medical Building, LLC ("JMB") is a limited liability company that is wholly owned by the Hospital. JMB was organized to own and operate a medical office building located on the Hospital's campus. JMB's primary source of revenue is from rental income.

The significant accounting policies followed by the Hospital, HDC, the Clinic, JMB, and the Foundation (collectively the "Medical Center") in the preparation of the financial statements are summarized below:

Reporting Entity

The accompanying financial statements include the accounts of the Hospital, HDC, the Clinic, JMB, and the Foundation. The Board of County Commissioners of Jackson County appoints the governing Board of Trustees of the Hospital, and a financial benefit/burden relationship exists between the Hospital and the Jackson County government. For these reasons, the Hospital is considered a component unit of Jackson County. Similarly, due to their organized purposes, HDC, the Clinic, JMB, and the Foundation are considered blended component units of the Hospital. Intercompany transactions and balances have been eliminated. The separate audited financial statements of HDC (including the Clinic) and the Foundation may be obtained by contacting the Hospital as follows:

Schneck Medical Center
411 W. Tipton Street
P.O. Box 2349
Seymour, IN 47274

JACKSON COUNTY SCHNECK MEMORIAL HOSPITAL AND AFFILIATED ORGANIZATIONS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

Financial Statement Presentation

The Governmental Accounting Standards Board ("GASB") is the independent, private-sector organization that establishes accounting and financial reporting standards for U.S. state and local governments that follow accounting principles generally accepted in the United States of America ("GAAP"). The Medical Center follows GASB accounting and financial reporting standards in the preparation of their financial statements.

Measurement Focus and Basis of Accounting

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

Pensions

For purposes of measuring the net pension asset, deferred outflows, and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the Jackson County Schneck Memorial Hospital Employees' Pension Plan, and Schneck Medical Center Retirement Allowance Plan 457(f) (the "Plans"), and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fiduciary Funds

Following the Medical Center's financial statements are separate financial statements for fiduciary funds. Fiduciary funds are excluded from the Medical Center's financial statements as these assets are held in a trust capacity for the various associates and cannot be used to support the Hospital's programs. These funds include the Jackson County Schneck Memorial Hospital Employees' Pension Plan and Schneck Medical Center Retirement Allowance Plan 457(f).

Risk Management

The Medical Center is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years. The Medical Center is insured for medical malpractice claims and judgements.

JACKSON COUNTY SCHNECK MEMORIAL HOSPITAL AND AFFILIATED ORGANIZATIONS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

Cash and Cash Equivalents

Cash and cash equivalents as reported on the balance sheets include petty cash and other cash on hand amounts, checking accounts, and savings accounts that are readily available for use. Cash and cash equivalents as reported on the statements of cash flows include investments in highly liquid assets with maturity dates of 90 days or less when purchased.

Investments

Investments include certificates of deposit amounts maturing within one year of the dates of the balance sheets. Investments are recorded at cost, which approximates market value.

Patient Accounts Receivable and Net Patient Service Revenue

The Medical Center recognizes net patient service revenues on the accrual basis of accounting in the reporting period in which services are performed based on the current gross charge structure, less actual adjustments and estimated discounts for contractual allowances, principally for patients covered by Medicare, Medicaid, managed care, and other health plans. Gross patient service revenue is recorded in the accounting records using the established rates for the types of service provided to the patient. The Medical Center recognizes an estimated contractual allowance to reduce gross patient charges to the estimated net realizable amount for service rendered based upon previously agreed-to rates with a payor. The Medical Center utilizes the patient accounting system to calculate contractual allowances on a payor-by-payor basis based on the rates in effect for each primary third-party payor. Another factor that is considered and could further influence the level of the contractual reserves includes the status of accounts receivable balances as inpatient or outpatient. The Medical Center's management continually reviews the contractual estimation process to consider and incorporate updated laws and regulations and the frequent changes in managed care contractual terms that result from contract negotiations and renewals.

Payors include federal and state agencies, including Medicare and Medicaid, managed care health plans, commercial insurance companies, and patients. These third-party payors provide payments to the Medical Center at amounts different from its established rates based on negotiated reimbursement agreements. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and fee schedule payments. Retroactive adjustments under reimbursement agreements with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Allowance for Doubtful Accounts

Accounts receivable are reduced by an allowance for doubtful accounts based on the Medical Center's evaluation of its major payor sources of revenue, the aging of the accounts, historical losses, current economic conditions, and other factors unique to the service area and the healthcare

**JACKSON COUNTY SCHNECK MEMORIAL HOSPITAL
AND AFFILIATED ORGANIZATIONS**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

industry. Management regularly reviews data about the major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts.

For receivables associated with services provided to patients who have third-party payor coverage, the Medical Center analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulty that make the realization of amounts due unlikely). For receivables associated with self-pay payments, 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, the Medical Center records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible.

The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts. The December 31, 2024 and 2023 allowance for doubtful accounts balances were comprised of the following:

	<u>2024</u>	<u>2023</u>
Reserve for third-party payor balances	\$ 8,763,990	\$ 4,622,367
Reserve for self-pay balances	<u>19,914,379</u>	<u>20,694,567</u>
Total allowance for uncollectible accounts	<u>\$ 28,678,369</u>	<u>\$ 25,316,934</u>

Inventories

Inventories consist of medical supplies, pharmaceuticals, and office supplies and are valued at the lower of cost or net realizable value, with cost being determined on the first-in, first-out (FIFO) method.

Investments and Assets Whose Use is Limited

Investments in certificates of deposit are reported in the financial statements at cost, which approximates fair value.

Assets whose use is limited include assets set aside by the respective Boards for future capital improvements, over which the Boards retain control and may at their discretion subsequently use for other purposes; assets held by trustees under indenture agreements; and assets that have been restricted by donors for specific purposes.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair market value in the balance sheets. Investment income or loss,

JACKSON COUNTY SCHNECK MEMORIAL HOSPITAL AND AFFILIATED ORGANIZATIONS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

including realized gains and losses on investments and assets whose use is limited, net change in the market value of assets whose use is limited, interest, and dividends, is included in nonoperating revenues (expenses) when earned.

Capital Assets

The Medical Center's capital assets are reported at historical cost and include expenditures for additions and repairs which substantially increase the useful lives of capital assets. Maintenance, repairs, and minor improvements are expensed as incurred. Contributed capital assets are reported at their estimated fair value at the time of their donation. All capital assets other than land and construction in progress are depreciated using the straight-line method of depreciation over their estimated useful lives based upon the American Hospital Association Guide for Estimated Useful Lives for Fixed Assets.

Pension and Goodwill Deferred Outflows

The Medical Center purchased certain assets of a physician practice resulting in a recognition of goodwill in the amount of \$1,075,000. Goodwill is being amortized over 136 months. The amount of unamortized goodwill at December 31, 2024 and 2023 was \$292,463 and \$387,316, respectively.

Classification of Net Position

The net position of the Medical Center is classified in four components. (1) *Net investment in capital assets* consists of capital assets net of accumulated depreciation which are reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. (2) *Restricted expendable net position* includes assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Medical Center, including amounts deposited with trustees as required by revenue bond indentures. (3) *Restricted nonexpendable net position* includes the principal portion of permanent endowments and non-controlling interests owned by external investors. (4) *Unrestricted net position* is the remaining net position that does not meet the definition of *net investment in capital assets* or *restricted*. When both restricted and unrestricted resources are available for use, the Medical Center's policy is to use restricted resources first, then unrestricted resources as they are needed.

Statements of Operations and Changes in Net Position

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are reported as revenues and expenses. Peripheral and incidental transactions are reported as nonoperating revenues (expenses). Nonoperating revenues (expenses) which are excluded from income from operations include investment income, contributions received, restricted expenditures, and the net change in the market value of assets whose use is limited.

JACKSON COUNTY SCHNECK MEMORIAL HOSPITAL AND AFFILIATED ORGANIZATIONS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

Advertising and Marketing Costs

Advertising and marketing costs are charged to operations when incurred. Advertising and marketing costs charged to operations were \$872,242 and \$888,587 for the years ended December 31, 2024 and 2023, respectively.

Charity Care

The Medical Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Amounts determined to qualify as charity care are reported as reductions of net patient service revenue.

Income Taxes

The Hospital has been granted exemption from taxation as a not-for-profit organization by the Internal Revenue Service under Section 115, and in 2005 was also granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code for purposes of maintaining a 403b deferred compensation plan. Therefore, no provision for income taxes has been provided in the statements of operations and changes in net position. HDC and the Foundation are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. As such, HDC and the Foundation are generally exempt from income taxes. However, HDC and the Foundation are required to file Federal Form 990 – Return of Organization Exempt from Income Tax which is an informational return only. The Clinic and JMB are both organized as a single-member Limited Liability Company ("LLC"). As of December 31, 2024, the 2020 - 2024 income tax years are still open for tax examinations for both the Clinic and JMB. HDC is the sole member of the Clinic, and the Hospital is the sole member of JMB. As such, the Clinic and JMB are not required to file separate state or federal tax returns. For tax reporting purposes, all activities of the Clinic are required to be filed with the activities of HDC, and all activities of JMB are required to be filed with the activities of the Hospital.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by each entity comprising the Medical Center and recognize a tax liability if any Medical Center entity has taken an uncertain tax position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by each entity of the Medical Center, and has concluded that as of December 31, 2024 and 2023, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. Each entity of the Medical Center is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

**JACKSON COUNTY SCHNECK MEMORIAL HOSPITAL
AND AFFILIATED ORGANIZATIONS**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

Grants and Contributions

From time to time, the Medical Center receives grants as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues.

Reclassifications

Certain reclassifications have been made to the 2023 financial statements to correspond to the current year's format. Total net position and change in net position are unchanged due to these reclassifications.

Subsequent Events

The Medical Center has evaluated events or transactions occurring subsequent to the balance sheet date for recognition and disclosure in the accompanying financial statements through the date the financial statements were available to be issued, which is April 29, 2025.

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2. DEPOSITS AND INVESTMENTS

Deposits and investments are comprised of the following at December 31, 2024 and 2023:

	2024	2023
Carrying amount		
Cash and cash equivalents	\$ 183,606,300	\$ 179,829,857
Certificates of deposit	33,000,000	33,000,000
Brokered certificates of deposit	4,589,253	4,393,780
Market-linked certificates of deposit	269,294	307,721
Mutual funds	130,862,300	114,933,283
Exchange-traded funds	395,502	247,537
Corporate bonds	48,345	-0-
Money market mutual funds	20,789,580	19,840,348
Perpetual trust	325,103	319,867
Interest receivable	118,060	142,792
Fixed income guaranteed option	551,514	390,093
Common stocks	2,125,817	1,861,528
Annuities	407,501	390,142
Total	<u>\$ 377,088,569</u>	<u>\$ 355,656,948</u>
 Included in the balance sheet captions:		
Cash and cash equivalents	\$ 80,072,795	\$ 90,539,652
Investments	26,367,463	26,138,440
Assets whose use is limited	270,648,311	238,978,856
Total	<u>\$ 377,088,569</u>	<u>\$ 355,656,948</u>

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Medical Center's deposits may not be returned to it. The Medical Center does not have a deposit policy for custodial credit risk. Deposits with financial institutions in the State of Indiana at year-end were entirely insured by the Federal Depository Insurance Corporation ("FDIC") or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying institution.

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Investments are carried at fair value or cost which approximates fair value. Net realized gains and losses on security transactions are determined on the specific identification cost basis. As of December 31, 2024 and 2023, the Medical Center had the following investments and maturities, all of which were held in the Medical Center's name by custodial banks or investment companies that are agents of the Medical Center:

	Carrying Amount	December 31, 2024			
		Investment Maturities (in years)			
	Less than 1	1 - 5	6 - 10	More than 10	
Certificates of deposit	\$ 37,858,547	\$ 35,763,705	\$ 2,094,842	\$ -0-	\$ -0-
Corporate bonds	48,345	-0-	-0-	48,345	-0-
Total	\$ 37,906,892	\$ 35,763,705	\$ 2,094,842	\$ 48,345	\$ -0-

	Carrying Amount	December 31, 2023			
		Investment Maturities (in years)			
	Less than 1	1 - 5	6 - 10	More than 10	
Certificates of deposit	\$ 37,701,501	\$ 35,013,645	\$ 2,687,856	\$ -0-	\$ -0-

Interest Rate Risk

Interest risk rate is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The Medical Center does have formal investment policies that limit investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. The Hospital's current investment policy limits investments with maturities of two years or longer to no more than 60 percent of total investments. The Foundation's investment policy prohibits the purchase of fixed income securities with original maturities of more than 10 years, unless the securities are part of a fund portfolio which has an average maturity of not greater than 10 years.

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The Hospital's credit risk ratings for investments in debt securities at December 31, 2024 and 2023 are as follows:

Investment Type	Credit Rating	Fair Value	Fair Value
	Moody's	2024	2023
Corporate bonds	Ba1	48,345	-0-

Concentration of Credit Risk

The Hospital places no limit on the amount it may invest in any one issuer. The Foundation limits investments in securities of a single issuer to 10 percent of the portfolio's total market value. This limitation does not include U.S. Government Securities. The Medical Center maintains its investments, which at times may exceed federally insured limits. The Medical Center has not experienced any losses in such accounts. The Medical Center believes that it is not exposed to any significant credit risk on investments.

Fair Value Measurements and Disclosures

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

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

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2024 and 2023.

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- *Brokered certificates of deposit:* Determined by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the creditworthiness of the issuer.
- *Market-linked certificates of deposit:* Determined by earning interest based on a market index, or a basket of equities (or both) that are underlying the certificate of deposit. The interest earned is based on the participation rate within the linked index.
- *Mutual funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by the Medical Center are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Medical Center are deemed to be actively traded.
- *Exchange-traded funds (ETFs):* Valued at the closing price on the active exchange on which the individual securities are traded. Unlike mutual funds, ETFs trade like common stocks and are not required to publish and transact their daily net asset value. The ETFs held by the Medical Center are deemed to be actively traded.
- *Corporate bonds:* Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuer with similar credit ratings.
- *Money market mutual funds:* Generally transact subscription and redemption activity at a \$1 stable net asset value (NAV); however, on a daily basis the funds are valued at their daily NAV calculated using the amortized cost of the securities held in the fund.
- *Perpetual trust:* Valued at fair value as reported by the trustee, which represents the Medical Center's *pro rata* interest in the net position of the trust, substantially all of which are valued on a mark-to-market basis.
- *Fixed income guaranteed option:* Guaranteed investment contracts are valued at fair value by the insurance company by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the creditworthiness of the issuer. Since the participants transact at contract value, fair value is determined annually for financial statement reporting purposes only. In determining the reasonableness of the methodology the Finance Committee evaluates a variety of factors including review of existing contracts, economic conditions, industry and market developments, and overall credit ratings. Certain unobservable inputs are assessed through review of contract terms (for example, duration or payout date) while others are substantiated utilizing available market data (for example, swap curve rate).

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- *Common and preferred stocks:* Valued at the closing price reported on the active market on which the individual securities are traded.
- *Annuities:* Valued at contract value, which approximates fair value, which represents deposits and reinvested interest, less any withdrawals plus accrued interest.

The following table set forth by level, within the hierarchy, the Medical Center's assets measured at fair value on a recurring basis as of December 31, 2024, are as follows:

	Level 1	Level 2	Level 3	Total
Assets				
Mutual funds				
Small	\$ 10,916,385	\$ -0-	\$ -0-	\$ 10,916,385
Mid	14,093,406	-0-	-0-	14,093,406
Large	62,607,408	-0-	-0-	62,607,408
Government	47,676	-0-	-0-	47,676
Foreign	16,084,425	-0-	-0-	16,084,425
Diversified emerging markets	3,155,787	-0-	-0-	3,155,787
World large stock	131,824	-0-	-0-	131,824
Inflation protected bond	282,545	-0-	-0-	282,545
Intermediate core bond	12,648,605	-0-	-0-	12,648,605
Target date	9,483,938	-0-	-0-	9,483,938
Allocation	29,145	-0-	-0-	29,145
Multisector bond	1,381,156	-0-	-0-	1,381,156
	130,862,300	-0-	-0-	130,862,300
Common stocks	2,125,817	-0-	-0-	2,125,817
Exchange-traded funds	395,502	-0-	-0-	395,502
Money market mutual funds	-0-	20,789,580	-0-	20,789,580
Brokered certificates of deposit	-0-	4,589,253	-0-	4,589,253
Market-linked certificates of deposit	-0-	269,294	-0-	269,294
Corporate bonds	-0-	48,345	-0-	48,345
Annuities	-0-	407,501	-0-	407,501
Fixed income guaranteed option	-0-	551,514	-0-	551,514
Perpetual trust, held by trustee	-0-	-0-	325,103	325,103
Total assets at fair value	<u>\$ 133,383,619</u>	<u>\$ 26,655,487</u>	<u>\$ 325,103</u>	<u>160,364,209</u>
Cash and cash equivalents				183,606,300
Certificates of deposit				33,000,000
Interest receivable				118,060
Total deposits and investments				<u>\$ 377,088,569</u>

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The following table set forth by level, within the hierarchy, the Medical Center's fiduciary activities assets measured at fair value on a recurring basis as of December 31, 2024, are as follows:

Fiduciary Funds

	Level 1	Level 2	Level 3	Total
Assets				
Mutual funds	\$ 6,996,858	\$ -0-	\$ -0-	\$ 6,996,858
Common stocks				
Basic materials	806,010	-0-	-0-	806,010
Communication services	689,174	-0-	-0-	689,174
Consumer cyclical	927,005	-0-	-0-	927,005
Consumer defensive	1,046,062	-0-	-0-	1,046,062
Energy	1,365,562	-0-	-0-	1,365,562
Financial services	3,579,772	-0-	-0-	3,579,772
Healthcare	2,189,266	-0-	-0-	2,189,266
Industrials	5,419,804	-0-	-0-	5,419,804
Consumer discretionary	2,472,141	-0-	-0-	2,472,141
Consumer staples	109,282	-0-	-0-	109,282
Telecommunications	67,040	-0-	-0-	67,040
Real estate	2,131,642	-0-	-0-	2,131,642
Technology	5,095,450	-0-	-0-	5,095,450
Utilities	1,738,122	-0-	-0-	1,738,122
	27,636,332	-0-	-0-	27,636,332
Exchange-traded funds	9,211,743	-0-	-0-	9,211,743
Money market mutual funds	-0-	1,551,457	-0-	1,551,457
Corporate bonds	-0-	33,065	-0-	33,065
Total assets at fair value	<u>\$ 43,844,933</u>	<u>\$ 1,584,522</u>	<u>\$ -0-</u>	<u>\$ 45,429,455</u>

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The following table set forth by level, within the hierarchy, the Medical Center's asset measured at fair value on a recurring basis as of December 31, 2023, are as follows:

	Level 1	Level 2	Level 3	Total
<u>Assets</u>				
Mutual funds				
Small	\$ 9,547,615	\$ -0-	\$ -0-	\$ 9,547,615
Mid	12,520,127	-0-	-0-	12,520,127
Large	52,150,268	-0-	-0-	52,150,268
Government	34,412	-0-	-0-	34,412
Foreign	15,079,930	-0-	-0-	15,079,930
Diversified emerging markets	4,109,502	-0-	-0-	4,109,502
World large stock	104,276	-0-	-0-	104,276
Intermediate core bond	11,496,106	-0-	-0-	11,496,106
Target date	8,641,482	-0-	-0-	8,641,482
Allocation	24,855	-0-	-0-	24,855
Multisector bond	1,224,710	-0-	-0-	1,224,710
	<hr/> 114,933,283	<hr/> -0-	<hr/> -0-	<hr/> 114,933,283
Common stocks	1,861,528	-0-	-0-	1,861,528
Exchange-traded funds	247,537	-0-	-0-	247,537
Money market mutual funds	-0-	19,840,348	-0-	19,840,348
Brokered certificates of deposit	-0-	4,393,780	-0-	4,393,780
Market-linked certificates of deposit	-0-	307,721	-0-	307,721
Annuities	-0-	390,142	-0-	390,142
Fixed income guaranteed option	-0-	390,093	-0-	390,093
Perpetual trust, held by trustee	-0-	-0-	319,867	319,867
Total assets at fair value	<hr/> \$ 117,042,348	<hr/> \$ 25,322,084	<hr/> \$ 319,867	<hr/> 142,684,299
Cash and cash equivalents				179,829,857
Certificates of deposit				33,000,000
Interest receivable				<hr/> 142,792
Total deposits and investments				<hr/> \$ 355,656,948

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The following table set forth by level, within the hierarchy, the Medical Center's fiduciary activities assets measured at fair value on a recurring basis as of December 31, 2023, are as follows:

Fiduciary Funds

	Level 1	Level 2	Level 3	Total
Assets				
Mutual funds	\$ 6,533,732	\$ -0-	\$ -0-	\$ 6,533,732
Common stocks				
Basic materials	577,196	-0-	-0-	577,196
Communication services	603,453	-0-	-0-	603,453
Consumer cyclical	644,881	-0-	-0-	644,881
Consumer defensive	729,196	-0-	-0-	729,196
Energy	1,215,366	-0-	-0-	1,215,366
Financial services	3,142,847	-0-	-0-	3,142,847
Healthcare	2,791,198	-0-	-0-	2,791,198
Industrials	4,009,987	-0-	-0-	4,009,987
Consumer discretionary	3,452,803	-0-	-0-	3,452,803
Consumer staples	123,467	-0-	-0-	123,467
Telecommunications	67,426	-0-	-0-	67,426
Real estate	2,116,905	-0-	-0-	2,116,905
Technology	4,851,314	-0-	-0-	4,851,314
Utilities	1,108,426	-0-	-0-	1,108,426
	25,434,465	-0-	-0-	25,434,465
Exchange-traded funds	8,398,641	-0-	-0-	8,398,641
Money market mutual funds	-0-	1,055,604	-0-	1,055,604
Corporate bonds	-0-	29,595	-0-	29,595
Total assets at fair value	<u>\$ 40,366,838</u>	<u>\$ 1,085,199</u>	<u>\$ -0-</u>	<u>\$ 41,452,037</u>

The Medical Center's policy is to recognize transfers between levels as of the end of the reporting period. There were no significant transfers between levels 1, 2, and 3 during 2024 and 2023.

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The following summary sets forth a summary of changes in the fair values of the Medical Center's Level 3 assets for the years ended December 31, 2024 and 2023:

	2024	2023
	Perpetual Trust Held by Trustee	Perpetual Trust Held by Trustee
Balance, beginning of the year	\$ 319,867	\$ 312,157
Change in investment value	<u>5,236</u>	<u>7,710</u>
Balance, end of year	<u><u>\$ 325,103</u></u>	<u><u>\$ 319,867</u></u>

3. PATIENT ACCOUNTS RECEIVABLE

Patient accounts receivable reported as current assets at December 31, 2024 and 2023, consist of the following:

	2024	2023
Medicare	\$ 32,837,409	\$ 27,284,873
Medicaid	19,857,516	19,635,207
Blue Cross	12,938,980	11,292,883
Commercial and other	15,681,290	12,855,730
Patients	<u>23,274,810</u>	<u>22,880,056</u>
Total patient accounts receivable	<u>104,590,005</u>	<u>93,948,749</u>
Less allowance for contractuals	<u>37,711,319</u>	<u>33,602,338</u>
Less allowance for uncollectible amounts	<u>28,678,369</u>	<u>25,316,934</u>
Patient accounts receivable, net	<u><u>\$ 38,200,317</u></u>	<u><u>\$ 35,029,477</u></u>

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4. ASSETS WHOSE USE IS LIMITED

Assets whose use is limited that are required for obligations classified as current liabilities are reported in current assets. Assets whose use is limited are reported at market value and include the following at December 31, 2024 and 2023:

Investment Summary by Type

	2024	2023
Cash and cash equivalents	\$ 103,533,499	\$ 89,290,205
Money market funds	20,789,580	19,840,348
Exchange-traded market funds	395,502	247,537
Interest receivable	118,060	142,792
Certificates of deposit	8,000,000	8,000,000
Brokered certificates of deposit	4,589,253	4,393,780
Market-linked certificates of deposit	269,294	307,721
Corporate bonds	48,345	-0-
Common stocks	758,360	723,088
Mutual funds	130,862,300	114,933,283
Perpetual trust, held by trustee	325,103	319,867
Fixed income guaranteed option	551,514	390,093
Annuities	407,501	390,142
 Total assets whose use is limited	 <u>\$ 270,648,311</u>	 <u>\$ 238,978,856</u>

Investment Summary by Fund

Board-Designated Funds	\$ 251,544,046	\$ 221,959,342
Donor-Restricted Funds	2,815,412	2,830,585
Deferred Compensation Funds	<u>16,288,853</u>	<u>14,188,929</u>
 Total	 <u>\$ 270,648,311</u>	 <u>\$ 238,978,856</u>

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Board-Designated Funds

The Hospital's Board of Trustees approved the funding of depreciation expense to meet the capital asset replacement needs of the facility. Depreciation is funded totally with expenditures for capital items reducing the funded depreciation balance. Board-designated funds also include amounts intended for specific purposes, as established by the Hospital's, HDC's, and Foundation's separate Boards. All income earned by the board-designated accounts is left to accumulate as additions to the funds. Board-designated funds remain under the control of the separate Boards, which may at their discretion later use for other purposes. Therefore, all board-designated funds are included in unrestricted net position.

Donor-Restricted Funds

Donor-restricted funds represent donations that have been restricted by donors for specific purposes.

Deferred Compensation Funds

The deferred compensation funds represent assets that have accumulated under the Medical Center's deferred compensation plan. The Medical Center simply maintains the funds for the participants until they are withdrawn. The Medical Center records a liability equal to the deferred compensation assets.

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5. CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2024 and 2023, was as follows:

	2024			
	Beginning Balance	Additions	Retirements/ Transfers	Ending Balance
Land	\$ 11,834,867	\$ 995,969	\$ -0-	\$ 12,830,836
Land improvements	5,008,060	97,161	(215,728)	4,889,493
Buildings	162,739,545	3,664,001	3,457,006	169,860,552
Fixed equipment	9,676,227	2,606,096	11,627	12,293,950
Movable equipment	69,434,098	6,318,292	(1,438,930)	74,313,460
Construction in progress	4,503,830	9,042,106	(3,982,890)	9,563,046
Total historical cost	263,196,627	22,723,625	(2,168,915)	283,751,337
Less accumulated depreciation for				
Land improvements	(3,506,935)	(162,342)	216,186	(3,453,091)
Buildings	(77,154,679)	(6,612,497)	90,967	(83,676,209)
Fixed equipment	(6,095,354)	(480,725)	18,620	(6,557,459)
Movable equipment	(50,461,957)	(5,243,023)	1,858,486	(53,846,494)
Total accumulated depreciation	(137,218,925)	(12,498,587)	2,184,259	(147,533,253)
Total depreciable capital assets, net	125,977,702	10,225,038	15,344	136,218,084
Intangible right-to-use assets				
Buildings	988,439	-0-	-0-	988,439
SBITA	7,175,303	-0-	-0-	7,175,303
Total historical cost	8,163,742	-0-	-0-	8,163,742
Less accumulated depreciation for				
Buildings	(345,760)	(115,251)	-0-	(461,011)
SBITA	(3,233,816)	(1,596,150)	-0-	(4,829,966)
Total accumulated depreciation	(3,579,576)	(1,711,401)	-0-	(5,290,977)
Total intangible right-to-use assets, net	4,584,166	(1,711,401)	-0-	2,872,765
Capital assets, net	<u>\$ 130,561,868</u>	<u>\$ 8,513,637</u>	<u>\$ 15,344</u>	<u>\$ 139,090,849</u>

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	2023			
	Beginning Balance	Additions	Retirements/ Transfers	Ending Balance
Land	\$ 11,834,867	\$ -0-	\$ -0-	\$ 11,834,867
Land improvements	4,929,504	41,494	37,062	5,008,060
Buildings	159,087,242	1,165,116	2,487,187	162,739,545
Fixed equipment	8,927,359	43,490	705,378	9,676,227
Movable equipment	67,868,138	2,003,662	(437,702)	69,434,098
Construction in progress	<u>7,747,531</u>	<u>7,779,376</u>	<u>(11,023,077)</u>	<u>4,503,830</u>
Total historical cost	260,394,641	11,033,138	(8,231,152)	263,196,627
Less accumulated depreciation for				
Land improvements	(3,447,110)	(163,881)	104,056	(3,506,935)
Buildings	(71,531,398)	(6,909,192)	1,285,911	(77,154,679)
Fixed equipment	(5,707,888)	(430,715)	43,249	(6,095,354)
Movable equipment	<u>(52,680,049)</u>	<u>(4,579,844)</u>	<u>6,797,936</u>	<u>(50,461,957)</u>
Total accumulated depreciation	<u>(133,366,445)</u>	<u>(12,083,632)</u>	<u>8,231,152</u>	<u>(137,218,925)</u>
Total depreciable capital assets, net	127,028,196	(1,050,494)	-	125,977,702
Intangible right-to-use assets				
Buildings	988,439	-0-	-0-	988,439
SBITA	6,870,690	304,614	(1)	7,175,303
Total historical cost	<u>7,859,129</u>	<u>304,614</u>	<u>(1)</u>	<u>8,163,742</u>
Less accumulated depreciation for				
Buildings	(230,506)	(115,254)	-0-	(345,760)
SBITA	(1,568,078)	(1,665,739)	1	(3,233,816)
Total accumulated depreciation	<u>(1,798,584)</u>	<u>(1,780,993)</u>	<u>1</u>	<u>(3,579,576)</u>
Total intangible right-to-use assets, net	<u>6,060,545</u>	<u>(1,476,379)</u>	<u>-0-</u>	<u>4,584,166</u>
Capital assets, net	<u><u>\$ 133,088,741</u></u>	<u><u>\$ (2,526,873)</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ 130,561,868</u></u>

Long-Lived Asset Impairment

The Medical Center evaluates the recoverability of the carrying value of long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets. No asset impairment was recognized during the years ended December 31, 2024 and 2023.

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6. OTHER ASSETS

At December 31, 2024 and 2023, other assets consist of the following:

	2024	2023
Physician notes receivable	\$ 1,654,631	\$ 1,605,456
Notes receivable	709,940	656,704
Investment in managed care company	763,760	3,681,441
Investment in RCG Columbus, LLC	974,900	974,900
Investment in captive insurance company	335,311	335,311
Captive insurance company subscriber savings	1,969,513	1,969,513
Investment in Inspire Health Partners	546,198	554,949
Other	<u>246,515</u>	<u>246,515</u>
Total other assets	7,200,768	10,024,789
Other assets, current portion	<u>(605,578)</u>	<u>(686,041)</u>
Other assets, net of current portion	<u>\$ 6,595,190</u>	<u>\$ 9,338,748</u>

Physician notes receivable are in varying amounts maturing through 2029. If the physicians meet the period of service requirement, the Medical Center will forgive these notes. If the physicians do not meet the period-of-service requirement, the notes are immediately due in full. Interest rates vary and are at the prime rate + 1 percent to the prime rate (8.5% at December 31, 2024).

The Medical Center has an ownership interest in a healthcare managed care company of 42 percent. The Medical Center accounts for its investment using the equity method.

The Medical Center has a 12.25 percent ownership interest in RCG Columbus, LLC ("RCG"). RCG provides renal care to patients. The Medical Center's investment in RCG is being accounted for under the cost method.

The Medical Center is a 7.1 percent owner of Tecumseh Health Reciprocal Risk Retention Group (the "Captive"), a risk retention company created to purchase professional liability and general liability insurance for its members. The Medical Center accounts for this investment using the cost method. In addition, the Captive retains a subscriber savings account for each of its members based upon the premiums paid in and the resulting claims paid out, plus other factors. Members are paid the balance of their subscriber savings account once they leave the Captive in accordance with the terms of the Captive agreement.

The Medical Center is a 50 percent owner of Inspire Health Partners ("Inspire"), which is a clinically integrated network of physicians and healthcare providers who work together to coordinate patient

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care. Inspire is a collaboration between various hospitals, physicians, and the Medical Center to offer a community-based provider network that ensures patients get the right care, at the right time, in the right setting, in the most cost-effective manner. The Medical Center does not have majority voting rights or control over Inspire. The Medical Center accounts for this investment using the equity method.

Separate financial statements related to the joint ventures described above may be obtained by contacting Medical Center management.

7. COMPENSATED ABSENCES

The Medical Center provides a paid time off ("PTO") policy to employees for vacation, sick time, personal days, and holidays. Upon employment, full and part-time employees who are budgeted, scheduled, and work at least 37.5 hours per pay period accrue PTO from the date of hire. After completion of 3 months of service as a benefit eligible employee, PTO may be used with pay for the total amount accrued.

The rate at which full-time employees earn PTO and the maximum number of hours that may be banked are as follows:

Employee Type	Length of Service	PTO earned for each hour paid	Maximum PTO bank
Non-exempt	0 - 2 years	0.0885	368 hours
Non-exempt	2 - 10 years	0.1077	448 hours
Non-exempt	10 or more years	0.1270	528 hours
Exempt	0 - 2 years	0.0885	368 hours
Exempt	2 - 5 years	0.1077	448 hours
Exempt	5 or more years	0.1270	528 hours
Vice Presidents	Upon hire	0.1462	608 hours

PTO days are accrued when incurred. The PTO accrual at December 31, 2024 and 2023 was \$6,041,093 and \$6,053,464, respectively and is reported in accrued personnel costs on the financial statements. Compensated liability activity for the years ended December 31, 2024 and 2023, was as follows:

	2024				
	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Compensated liability	\$ 6,053,464	\$ 10,251,415	\$ (10,263,786)	\$ 6,041,093	\$ 6,041,093
2023					
	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
	\$ 5,733,621	\$ 8,371,566	\$ (8,051,723)	\$ 6,053,464	\$ 6,053,464

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8. EMPLOYEE HEALTH BENEFIT PLAN

The Medical Center operates a self-funded health plan covering substantially all employees. The Medical Center has an annual stop loss limit on the plan of \$100,000 per insured per year and an aggregate stop loss limit of approximately \$8,500,000. Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amounts of pay out, and other economic and social factors. The accrued liability for claims liabilities is recorded in accrued personnel costs on the balance sheets.

Changes in the balance of claims liabilities during the years ended December 31, 2024 and 2023, were as follows:

	2024	2023
Accrued liability, beginning of year	\$ 2,296,062	\$ 1,967,136
Incurred claims, changes in estimates, and fees/premiums	11,096,805	12,419,777
Claim payments	<u>(11,734,877)</u>	<u>(12,090,851)</u>
Accrued liability, end of year	<u><u>\$ 1,657,990</u></u>	<u><u>\$ 2,296,062</u></u>

9. DEFINED BENEFIT PENSION PLAN

Plan Description

The Medical Center sponsors a single-employer, defined benefit pension plan established to provide retirement, termination/severance, disability, and survivor benefits for Medical Center employees. The Plan was established on May 1, 1975 and was last restated effective May 1, 2013. Benefit provisions are established or may be amended at any time by the action of the Plan's Board of Trustees. The Medical Center functions as the plan administrator of the defined benefit pension plan, as authorized by IC 16-22-3-11. A publicly available financial report that includes the defined benefit pension plan's financial statements and required supplementary information may be obtained by contacting:

Schneck Medical Center
P.O. Box 2349
Seymour, IN 47274
Ph. (812) 522-0118

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Benefits Provided

The Plan provides that the monthly retirement benefit shall be a pension payable for the member's lifetime equal to one percent (1.00%) of the member's monthly plan compensation, plus sixty-five hundredths of one percent (0.65%) in excess of covered compensation. This sum is then multiplied by the years of benefit service up to thirty (30) years to arrive at the benefit amount. Benefit service is not credited prior to May 1, 1970. The accrued benefit shall not be less than the benefit accrued as of April 30, 1990.

Employees became eligible members of the Plan after one year of service and age twenty-one. Participants are fully vested after 5 years of service. Participation and the accrual of benefits for additional years of service for active participants was frozen as of July 1, 2010.

The employee normal retirement date is age 65 if the employee's date of participation is prior to May 1, 1990, or the later of age 65 or 5 years of service if the employee's date of participation is on or after May 1, 1990. The employee early retirement date can occur once an employee has attained age 55 and has 10 years of service. A reduced early retirement benefit is available to members with at least ten years of vesting service any time after attainment of age 55, with a reduction factor determined by the date of severance from employment.

For participants who severed employment prior to May 1, 2002, the accrued benefit is reduced one-one hundred eightieth (1/180) for each completed month of the first five years and one-three hundred sixtieth (1/360) for each completed month of the next five years by which the date of commencement precedes the normal retirement date. For participants who severed employment on or after May 1, 2002, the accrued benefit is reduced three percent for each year by which the date of commencement precedes the normal retirement date.

A terminated participant is eligible for termination benefits after five or more years of service with an hour of service after May 1, 2000. A disabled participant is eligible for disability retirement after five or more years of service with an hour of service after May 1, 2000.

The employee's death benefit is payable to a surviving spouse after the satisfaction of early retirements and prior to actual or normal retirement. If a participant's death occurs while an employee on or after satisfaction of early retirement requirements and prior to the earlier of their termination of employment or late retirement, their surviving spouse, if any, will be entitled to a fifty percent survivor benefit. If a participant's death occurs on or after their actual retirement while an employee, but prior to the commencement of their retirement benefit their beneficiary will be entitled to the benefit if any, payable on account of the participant's death, assuming their retirement benefit had commenced the day before their death.

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Funding Policy

No contributions from active plan members are required or permitted. The Internal Revenue Service has determined that the plan is a government plan which is not subject to Employee Retirement Income Security Act (ERISA) minimum funding requirements.

Employees Covered by Benefit Terms

At April 30, 2024 and 2023, the following employees were covered by the benefit terms:

	2024	2023
Inactive plan members or beneficiaries currently receiving benefits	309	306
Inactive plan members or beneficiaries entitled to but not yet receiving benefits	180	180
Active plan members	<u>237</u>	<u>253</u>
Total	<u><u>726</u></u>	<u><u>739</u></u>

Contributions

The annual required contributions for the years ended April 30, 2024 and 2023 and estimated liabilities as of May 1, 2024 and 2023 were determined as part of the actuarial valuations using the Entry Age actuarial cost method. The Medical Center intends to contribute to the Plan each year such amounts as may be required to operate the Plan on a sound actuarial basis.

Net Pension (Asset) Liability

The total pension liability was measured as of May 1, 2024 and 2023, and the total pension liability used to calculate the net pension (asset) liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the May 1, 2024 and 2023 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2024	2023
Inflation	2.50%	2.50%
Salary increases	Not applicable (Plan is frozen)	Not applicable (Plan is frozen)
Investment rate of return	6.00%	6.00%

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Mortality rates were based on the Society of Actuaries ("SOA") published mortality table: Primary 2012 annuitant/non-annuitant mortality tables (sex-distinct) with no mortality improvement.

The actuarial value of assets was determined using the Market Value method and the trust information furnished by PNC Institutional Investments as of April 30, 2024 and 2023.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	-0-	0.0%
Fixed income securities	40	5.00%
Domestic and foreign equities	60	7.25%
Total	<u>100</u>	<u>%</u>

Discount Rate

The discount rate used to measure the total pension liability was 6 percent as of April 30, 2024 and 2023, and is equal to the long-term expected return on plan investments. The projection cash flows used to determine the discount rate assumed that employer contributions would be made at the actuarially calculated rate computed to prevent the deterioration in the actuarial status of the trust. The future contribution assumption was based upon the review of recent Medical Center contribution history compared to the corresponding actuarially determined contributions. Based on this assumption, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Sensitivity of the Net Pension (Asset) Liability

The following presents the 2024 net pension (asset) liability of the Plan, calculated using the discount rate of 6 percent, as well as what the Plan's net pension (asset) liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5 percent) or 1-percentage-point higher (7 percent) than the current rate:

	1 % Decrease (5%)	Current Discount Rate (6%)	1% Increase (7%)
Net pension (asset) liability	\$ (4,569,002)	\$ (8,344,273)	\$ (11,520,711)

Detailed information about the Plan's fiduciary net position is available in a separately issued actuarial valuation report.

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Changes in the Net Pension (Asset) Liability

The change in the net pension (asset) liability during the 2024 and 2023 Plan year was as follows:

	2024		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a) - (b)
Balances at 4/30/2023	<u>\$ 36,074,880</u>	<u>\$ 40,402,974</u>	<u>\$ (4,328,094)</u>
Changes of the year:			
Service cost	-0-	-0-	-0-
Interest	2,084,360	-0-	2,084,360
Difference between expected and actual experience	36,291	-0-	36,291
Change in assumptions	-0-	-0-	-0-
Benefit payments	(2,465,616)	(2,465,616)	-0-
Employer contributions	-0-	-0-	-0-
Net investment income	-0-	6,185,879	(6,185,879)
Administrative expenses	-0-	(49,049)	49,049
Other	-0-	-0-	-0-
Net changes	<u>(344,965)</u>	<u>3,671,214</u>	<u>(4,016,179)</u>
Balances at 4/30/2024	<u>\$ 35,729,915</u>	<u>\$ 44,074,188</u>	<u>\$ (8,344,273)</u>
 2023			
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a) - (b)
Balances at 4/30/2022	<u>\$ 36,572,854</u>	<u>\$ 41,593,276</u>	<u>\$ (5,020,422)</u>
Changes of the year:			
Service cost	-0-	-0-	-0-
Interest	2,115,041	-0-	2,115,041
Difference between expected and actual experience	(172,087)	-0-	(172,087)
Change in assumptions	-0-	-0-	-0-
Benefit payments	(2,440,928)	(2,440,928)	-0-
Employer contributions	-0-	-0-	-0-
Net investment income	-0-	1,324,639	(1,324,639)
Administrative expenses	-0-	(74,013)	74,013
Other	-0-	-0-	-0-
Net changes	<u>(497,974)</u>	<u>(1,190,302)</u>	<u>692,328</u>
Balances at 4/30/2023	<u>\$ 36,074,880</u>	<u>\$ 40,402,974</u>	<u>\$ (4,328,094)</u>

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Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2024 and 2023, the Medical Center recognized pension expense of \$437,956 and \$1,798,169, respectively. At December 31, 2024, the Medical Center reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Balance, 4/30/2023	\$ 6,702,811	\$ (4,714,660)
Changes in assumptions	(1,332,525)	-0-
Liability experience gains (losses)	(130,019)	90,176
Investment gains (losses)	<u>(2,268,540)</u>	<u>(813,228)</u>
Balance, 4/30/2024	<u><u>\$ 2,971,727</u></u>	<u><u>\$ (5,437,712)</u></u>

	Deferred Outflows of Resources	Deferred Inflows of Resources
Balance, 4/30/2022	\$ 9,995,274	\$ (6,901,283)
Changes in assumptions	(1,679,953)	-0-
Liability experience gains (losses)	(144,322)	(111,182)
Investment gains (losses)	<u>(1,468,188)</u>	<u>2,297,805</u>
Balance, 4/30/2023	<u><u>\$ 6,702,811</u></u>	<u><u>\$ (4,714,660)</u></u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended April 30:	Amount
2025	\$ (1,526,235)
2026	379,500
2027	(550,563)
2028	<u>(768,687)</u>
	<u><u>\$ (2,465,985)</u></u>

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10. LONG-TERM DEBT

At December 31, 2024 and 2023, the Medical Center was obligated for long-term debt agreements as follows:

	2024	2023
Direct borrowing Series 2020 Revenue Refunding Bonds dated November 2020, payable in annual principal installments commencing February 2021 through February 2036 in amounts ranging from \$180,000 to \$1,580,000. The bonds were purchased by Jackson County Bank who will hold the bonds through maturity. Early redemption of any unpaid principal and accrued interest is allowable subsequent to February 15, 2025. Fixed interest rate of 2.35% on \$17,895,000. Secured by gross revenues.	\$ 15,775,000	\$ 16,820,000
Financing agreement with a third-party vendor for surgical equipment dated December 2021, payable in five annual installments of \$282,048, including interest, commencing January 2023 through January 2027. Fixed interest rate of 3.25%. Secured by equipment (NBV of \$742,857 as of December 31, 2024).	545,439	805,166
	<hr/>	<hr/>
	16,320,439	17,625,166
Less current portion	<hr/>	<hr/>
	(1,348,294)	(1,304,726)
Long-term debt, net of current portion	<hr/>	<hr/>
	\$ 14,972,145	\$ 16,320,440

Long-term debt activity for the years ended December 31, 2024 and 2023 was as follows:

	2024				
	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Revenue bonds, series 2020	\$ 16,820,000	\$ -0-	\$ (1,045,000)	\$ 15,775,000	\$ 1,080,000
Financing agreement	805,166	-0-	(259,727)	545,439	268,294
Total long-term debt	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 17,625,166	\$ -0-	\$ (1,304,727)	\$ 16,320,439	\$ 1,348,294

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	2023				
	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Revenue bonds, series 2020	\$ 17,515,000	\$ -0-	\$ (695,000)	\$ 16,820,000	\$ 1,045,000.00
Financing agreement	1,056,598	-0-	(251,432)	805,166	259,726
Total long-term debt	\$ 18,571,598	\$ -0-	\$ (946,432)	\$ 17,625,166	\$ 1,304,726

Debt service requirements on long-term debt at December 31, 2024 are based on the interest rate modes in effect and are as follows:

Year Ending December 31,	Principal	Interest
2025	\$ 1,348,294	\$ 363,317
2026	1,397,145	328,302
2027	1,155,000	296,394
2028	1,200,000	268,370
2029	1,240,000	239,387
2030 - 2034	6,875,000	726,052
2035 - 2039	3,105,000	49,231
Total	\$ 16,320,439	\$ 2,271,053

The Medical Center's debt agreements contain various restrictive covenants, including covenants related to days cash on hand ratio, debt service coverage ratio, debt to capitalization ratio, and audited financial statement submission requirements. Failure to meet any of these covenants would result in all principal and accrued interest due immediately without the granting of a waiver from the debt holders. Management believes the Medical Center was in compliance with all restrictive covenants during 2024 and 2023.

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11. INTANGIBLE RIGHT-TO-USE LEASE LIABILITIES AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

Building Leases

The Medical Center leases buildings from limited liability companies for use as medical office buildings for clinical services and senior living services. The leases have terms varying from 60 to 120 months. The leases require monthly payments ranging from \$5,445 to \$5,722 expiring through February 2030. The present value of the buildings was determined using a discount rate of 4.25% based on the incremental borrowing rate. The leased buildings and accumulated amortization of the right-to-use assets are outlined in Note 5.

Subscription-Based Information Technology Arrangements

The Medical Center has various subscription-based information technology arrangements ("SBITA") with third-party vendors for use of software used by the finance department, supply chain management, and IT department. The arrangements have terms ranging from 4 to 48 months, with expirations ranging from August 2024 through October 2028. The arrangements have annual payments ranging from \$51,469 to \$180,944, with one arrangement requiring a monthly payment of \$45,000. The present values of these arrangements were determined using discount rates of 7.5% based on the incremental borrowing rate. The subscription-based intangible assets and accumulated amortization of the right-to-use assets are outlined in Note 5.

Remaining payments on these leases include:

	Building Leases		
	Principal	Interest	Total
2025	\$116,871	\$22,580	\$139,451
2026	123,068	17,473	140,541
2027	128,402	12,139	140,541
2028	133,968	6,575	140,543
2029	69,757	2,123	71,880
Thereafter	11,916	63	11,979
	<u>\$583,982</u>	<u>\$60,953</u>	<u>\$644,935</u>

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Remaining payments on SBITA include:

Subscription-based information technology arrangements			
	Principal	Interest	Total
2025	\$1,030,671	\$176,118	\$1,206,789
2026	876,826	97,550	974,376
2027	317,283	49,377	366,660
2028	341,080	25,581	366,661
	<u>\$2,565,860</u>	<u>\$348,626</u>	<u>\$2,914,486</u>

Lease and SBITA activity for the years ended December 31, 2024 and 2023 was as follows:

2024					
	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Building leases	\$ 690,688	\$ -0-	\$ (106,706)	\$ 583,982	\$ 116,871
SBITA	<u>4,168,402</u>	<u>-0-</u>	<u>(1,602,542)</u>	<u>2,565,860</u>	<u>1,030,671</u>
Total lease liabilities and SBITA	<u>\$ 4,859,090</u>	<u>\$ -0-</u>	<u>\$ (1,709,248)</u>	<u>\$ 3,149,842</u>	<u>\$ 1,147,542</u>

2023					
	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Building leases	\$ 792,965	\$ -0-	\$ (102,277)	\$ 690,688	\$ 106,709
SBITA	<u>5,413,220</u>	<u>304,614</u>	<u>(1,549,432)</u>	<u>4,168,402</u>	<u>1,602,543</u>
Total lease liabilities and SBITA	<u>\$ 6,206,185</u>	<u>\$ 304,614</u>	<u>\$ (1,651,709)</u>	<u>\$ 4,859,090</u>	<u>\$ 1,709,252</u>

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12. DEFERRED COMPENSATION PLANS

The Medical Center offers its employees deferred compensation plans in accordance with Internal Revenue Code Sections 457(b), 457(f), and 403(b). The 403(b) and 457(b) plans, available to all Medical Center employees, permit them to defer a portion of their salary until future years. The 457(f) plan, available to management, is funded by discretionary contributions by the Medical Center. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The deferred compensation assets and related liabilities under these plans are reported in the statements of fiduciary net position.

In 2010, the Medical Center amended its 403(b) defined contribution plan to allow for employer discretionary and matching contributions. For the years ended December 31, 2024 and 2023, the Medical Center recognized \$2,281,299 and \$1,899,675, respectively, in expense related to the 403(b) plan.

13. DONOR-RESTRICTED AND NONEXPENDABLE RESTRICTED NET POSITION

Donor-restricted net position amounts are donor-restricted for a specific use or by the passage of time. Nonexpendable restricted net position amounts include a perpetual trust. Donor-restricted and nonexpendable restricted net position amounts include the following at December 31, 2024 and 2023:

	2024	2023
Donor-restricted net position		
Dr. Bud Fund	\$ 886,598	\$ 775,992
Medical Technology Fund	126,682	126,674
Educational/Scholarship Fund	40,931	39,428
Women's Center Fund	10,378	10,177
Cancer Fund	331,818	340,964
Cancer Patient Support Fund	84,901	65,693
Hospice Fund	467,543	457,374
Diabetes Fund	50,929	61,109
EPIC Fund	429,202	358,756
Employee Humanitarian Fund	4,180	1,260
Giving Tuesday 2021/2022 Fund	57,147	57,143
Giving Tuesday 2023 Fund	-0-	216,148
 Total donor-restricted net position	 \$ 2,490,309	 \$ 2,510,718
 Nonexpendable restricted net position	 \$ 325,103	 \$ 319,867

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Dr. Bud Fund

The Dr. Bud Fund was established to provide scholarships to area students seeking to pursue careers in healthcare. Scholarships are awarded based on the recommendations of the Dr. Bud Fund Scholarship Committee.

Medical Technology Fund

The Medical Technology Fund was established to address the rapid changes in medical technology and related increased costs to replace outdated equipment. The assets of the fund are used to purchase medical equipment.

Educational/Scholarship Fund

The Education/Scholarship Fund was established to provide financial assistance to eligible candidates who are planning to enroll or are currently enrolled, in a clinical or technical healthcare field of study.

Women's Center Fund

The Women's Center Fund was established to purchase equipment for and provide support to the Family Life Center, the Hospital's specialized birthing center.

Cancer Fund

The Cancer Fund was established to provide support for the detection/prevention of cancer.

Cancer Patient Support Fund

The Cancer Patient Support Fund was established by a local cancer patient to raise money for other cancer patients and their needs.

Hospice Fund

The Hospice Fund was established to support Hospice program and patient needs.

Diabetes Fund

The Diabetes Fund was established to raise money for diabetes programs.

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

EPIC Fund

The EPIC (Employee Partners Invested in Caring) Fund was established to receive financial support from its members for special projects and programs recommended by those members.

Employee Humanitarian Fund

The Employee Humanitarian Fund was established to provide financial assistance to approved Hospital employees for personal hardships or other catastrophic events up to a pre-approved funding level. All Hospital employee applications are reviewed and recommended by a subcommittee of the EPIC committee.

Giving Tuesday 2021/2022 Fund

The Giving Tuesday 2021 Fund was established to raise money for the Level II neonatal intensive care unit ("NICU") at the Hospital.

Giving Tuesday 2023 Fund

The Giving Tuesday 2023 fund was established to purchase automatic external defibrillators (AEDs) for schools in the area.

Perpetual Trust, Held by Trustee

The perpetual trust, held by trustee represents a donation that is held in a separate trust account. The donation is to be held in perpetuity. The Medical Center has no control over the investment strategy of the trust, and will not receive any payments from the trust's principal. However, the Medical Center is entitled to receive 20 percent of the trust's net income each year. All of the Medical Center's portion of income earned by this trust is unrestricted and may be used at the Medical Center's Board of Trustee's discretion.

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14. NET PATIENT SERVICE REVENUE

For the years ended December 31, 2024 and 2023, net patient service revenue was as follows:

	2024	2023
Gross patient service revenue		
Inpatient services	\$ 91,116,034	\$ 81,440,573
Outpatient services	491,892,442	448,789,004
Long-term care services	192,932,429	173,716,189
Total gross patient service revenue	<u>775,940,905</u>	<u>703,945,766</u>
Deductions from revenue		
Contractual allowances	(388,752,355)	(342,361,821)
Charity care	(1,867,372)	(1,097,699)
Bad debts	(17,265,677)	(12,640,519)
Nursing homes UPL payments recognized**	<u>19,904,371</u>	<u>13,864,573</u>
Total deductions from revenue	<u>(387,981,033)</u>	<u>(342,235,466)</u>
Total net patient service revenue	<u><u>\$ 387,959,872</u></u>	<u><u>\$ 361,710,300</u></u>

* - Upper Payment Limit (UPL)

The Medical Center grants credit without collateral to its patients, most of whom are local residents and insured under third-party payor agreements. The mix of gross revenues and receivables from patients and third-party payors at December 31, 2024 and 2023, was as follows:

	2024		2023	
	Revenues	Receivables	Revenues	Receivables
Medicare	38	%	31	%
Medicaid	29		19	
Blue Cross	17		12	
Other third-party payors	12		15	
Patients	4		23	
	<u>100</u>	<u>%</u>	<u>100</u>	<u>%</u>
	<u><u>100</u></u>	<u><u>%</u></u>	<u><u>100</u></u>	<u><u>%</u></u>

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The Medical Center has agreements with third-party payors that provide for payments at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

- **Medicare**. The Medical Center is a provider of services to patients entitled to coverage under Title XVIII (Medicare) of the Health Insurance Act. The Medical Center is reimbursed for Medicare inpatient services based on a fixed price per discharge for each diagnosis related grouping (DRG) and Medicare outpatient services based on a fixed price per clinical unit of service. Differences between the total program billed charges and the payments received are reflected as deductions from revenue. At the Medical Center's year end, a cost report is filed with the Medicare program computing reimbursement amounts related to Medicare patients. The difference between computed reimbursement and interim reimbursement is reflected as a receivable from or payable to the third-party program. The Medical Center's classification of patients under the Medicare program and the appropriateness of their admissions are subject to an independent review by a peer review organization under contract with the Medical Center.
- **Medicaid**. The Medical Center is a provider of services to patients entitled to coverage under Title XIX (Medicaid) of the Health Insurance Act. The Medical Center is reimbursed for Medicaid inpatient services based on a fixed price per discharge for each diagnosis related grouping (DRG) and Medicaid outpatient services based on a fixed price per clinical unit of service. Differences between the total program billed charges and the payments received are reflected as deductions from revenue. There is no cost settlement for either of the inpatient or outpatient programs.
- **Charity Care**. The Medical Center provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy. Because the Medical Center does not collect amounts deemed to be charity care, they are not reported as revenue. The estimated costs of providing charity services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on the Medical Center's total operating expenses divided by gross patient service revenue. For the years ended December 31, 2024 and 2023, the Medical Center incurred estimated costs of \$913,352 and \$552,255, respectively.
- **Other**. The Medical Center has also entered into preferred provider agreements with certain commercial insurance carriers. The basis for payment to the Medical Center under these agreements includes discounts from established charges, fee schedules, as well as inpatient DRG reimbursement methodologies.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Final determination of compliance with such laws and regulations is subject to future government review and interpretation. Violations may result in

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significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

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 limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigation and/or allegations concerning possible violations of fraud and abuse statutes and/or regulations by health care providers.

The Centers for Medicare and Medicaid Services ("CMS") has been granted authority to suspend payments, in whole or in part, to Medicare providers if CMS possess reliable information on overpayment, fraud, or if willful misrepresentation exists. If CMS suspects payments are being made as the result of fraud or misrepresentation exists, CMS may suspend payment at any time without providing prior notice to the Medical Center. The initial suspensions period is limited to 180 days. However, the payment suspension period can be extended indefinitely if the matter is under investigation by the United States Department of Health, Human Services Office of Inspector General, or the United States Department of Justice. Therefore, the Medical Center is unable to predict if or when it may be subject to a suspension of payments by the Medicare and/or Medicaid programs, the possible length of the suspension period, or the potential cash flow impact of a payment suspension. Any such suspension would adversely impact the Medical Center's financial position, results of operations, and cash flows. The Medical Center believes that it is in compliance with all applicable laws and regulations.

15. HOSPITAL ASSESSMENT FEE

The purpose of the Hospital Assessment Fee ("HAF") Program is to fund the State share of enhanced Medicaid payments and Medicaid DSH payments for Indiana hospitals as reflected in the hospital assessment fee reported in the statements of operations and changes in net position. Previously, the State share was funded by government entities through intergovernmental transfers. The Medicaid enhanced payments relate to both fee for service and managed care claims. The Medicaid enhanced payments are designed to follow the patient and result in increased Medicaid rates. The Medical Center recognized HAF program expense of \$9,847,345 and \$8,871,978 at December 31, 2024 and 2023, respectively. For both the years ended December 31, 2024 and 2023, the Medical Center recognized revenue in net patient service revenue totaling \$-0-.

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16. NONOPERATING REVENUES (EXPENSES)

For the years ended December 31, 2024 and 2023, nonoperating revenues (expenses) were as follows:

	2024	2023
Investment income (loss)	\$ 11,305,369	\$ 16,428,379
Interest expense	(720,847)	(887,277)
Donations	(378,701)	(1,114,217)
Contributions and grants	2,572,192	3,451,381
Change in perpetual trust	5,236	7,710
Inspire, loss	(8,751)	37,101
Provider relief fund revenue	-0-	8,755
Miscellaneous gain (loss)	(43,815)	(321,784)
 Total nonoperating revenues (expenses)	 \$ 12,730,683	 \$ 17,610,048

17. PROFESSIONAL LIABILITY INSURANCE

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

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The Medical Center maintains professional liability insurance through a multiprovider reciprocal risk retention group (the "Group"), in which premiums are accrued based on the Group's experience to date. As of December 31, 2024 and 2023, this provides protection from liability in amounts not to exceed as follows:

	<u>2024</u>	<u>2023</u>
Medical Center per occurrence	<u>\$ 500,000</u>	<u>\$ 500,000</u>
Medical Center aggregate	<u>\$ 10,000,000</u>	<u>\$ 10,000,000</u>
Group umbrella aggregate	<u>\$ 10,000,000</u>	<u>\$ 10,000,000</u>
Group first additional umbrella aggregate	<u>10,000,000</u>	<u>10,000,000</u>
Group second additional umbrella aggregate	<u>10,000,000</u>	<u>10,000,000</u>
Total Group umbrella aggregate	<u>\$ 30,000,000</u>	<u>\$ 30,000,000</u>

Liabilities for incurred but not reported losses at December 31, 2024 and 2023 are not determinable; however, in management's opinion, such liabilities, if any, will not have a material effect on the Medical Center's financial position and its malpractice and general liability insurance is adequate to cover losses, if any. Should the policies not be renewed or replaced with appropriate insurance coverage, claims based upon occurrences during these terms, but reported subsequently, will be uninsured. The Medical Center intends to continue carrying such insurance.

18. RELATED PARTY TRANSACTIONS

Starting in 2023, the Hospital's current Chief Executive Officer serves on the Board of Directors for Jackson County Bank ("JCB"). At December 31, 2024 and 2023, for the years then ended, the Medical Center had the following related party transactions with JCB:

	<u>2024</u>	<u>2023</u>
Deposits	<u>\$ 92,228,314</u>	<u>\$ 111,026,080</u>
Bonds payable	<u>\$ 15,775,000</u>	<u>\$ 16,820,000</u>
Interest income	<u>\$ 2,120,521</u>	<u>\$ 1,418,875</u>
Interest expense	<u>\$ 373,749</u>	<u>\$ 397,290</u>

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Southeastern Indiana Health Organization (SIHO)

The Medical Center is a 33 percent owner of the SIHO insurance company. This investment is reported in other assets on the statements of operations and changes in net position, and is titled "investment in managed care company" in footnote 6. At December 31, 2024 and 2023, and for the years then ended, the Medical Center had the following related party transactions with SIHO:

	2024	2023
Patient accounts receivable	\$ 3,599,570	\$ 3,367,994
Gross patient revenue	\$ 24,820,961	\$ 23,677,828
Operating expenses	\$ 12,723,783	\$ 12,319,794

19. CONCENTRATIONS OF CREDIT RISK

The Medical Center maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. The Medical Center has not experienced any losses on such accounts. The Medical Center believes it is not exposed to any significant credit risk on cash.

20. CONTINGENCIES

Legal

The Medical Center is susceptible to a variety of legal proceedings and claims by others against the Medical Center in a variety of matters arising out of the conduct of the Medical Center's business. The ultimate resolution of such claims would not, in the opinion of management, have a material adverse effect on the financial statements.

There may be unknown incidents arising from services provided to patients. However, because the annual insurance policy only covers claims that have been asserted and incidents reported to the insurance carrier, these unknown incidents are not yet covered by insurance. Management intends to maintain the current claims-made insurance coverage to cover any unknown incidents that may be asserted.

HIPAA

Management continues to implement policies, procedures, and a compliance-monitoring organizational structure to enforce and monitor compliance with the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") and other government statutes and regulations. The Medical Center's compliance with such laws and regulations is subject to future government review and interpretations, as well as regulatory actions which are unknown or unasserted at this time.

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

21. COMMITMENTS

As of December 31, 2024, the Medical Center has construction and renovation project commitments as follows:

Project	Expected Date of Completion	Estimated Total Cost of Project	Costs Incurred as of December 31, 2024
North tower renovation	March 2025	\$ 4,000,000	\$ 3,895,153
Meditech software update	December 2025	3,150,000	1,575,000
Primary care - second floor project	September 2025	4,420,000	706,262
EMR implementation	December 2025	3,100,000	554,733
Lab expansion	December 2025	974,800	344,641
Wireless refresh	December 2025	432,500	372,239
Information technology office expansion	September 2025	400,000	254,780
Computer refresh project	February 2025	378,000	273,560
All other projects	Various dates	12,716,851	1,586,678
		<hr/> <u>\$ 29,572,151</u>	<hr/> <u>\$ 9,563,046</u>

22. CONDENSED FINANCIAL INFORMATION

The Medical Center includes three blended component units in its reporting entity. Condensed component unit information for all of its blended as of and for the year ended December 31, 2024 is as follows:

Balance sheet	HDC	Foundation	JMB	Total
Assets				
Current assets	\$ 374,496	\$ 1,551,048	\$ 595,178	\$ 2,520,722
Assets whose use is limited	-0-	2,490,303	-0-	2,490,303
Capital assets, net	611,604	-0-	4,470,668	5,082,272
Other assets	-0-	-0-	-0-	-0-
Total assets and deferred outflows	<hr/> <u>\$ 986,100</u>	<hr/> <u>\$ 4,041,351</u>	<hr/> <u>\$ 5,065,846</u>	<hr/> <u>\$ 10,093,297</u>
Liabilities				
Current liabilities	\$ 631,424	\$ 75,000	\$ -0-	\$ 706,424
Long-term liabilities	467,111	-0-	-0-	467,111
Total liabilities	<hr/> 1,098,535	<hr/> 75,000	<hr/> -0-	<hr/> 1,173,535
Net position				
Net investment in capital assets	27,622	-0-	4,470,668	4,498,290
Restricted expendable	-0-	2,490,303	-0-	2,490,303
Unrestricted	(140,057)	1,476,048	595,178	1,931,169
Total net position	<hr/> (112,435)	<hr/> 3,966,351	<hr/> 5,065,846	<hr/> 8,919,762
Total liabilities and net position	<hr/> <u>\$ 986,100</u>	<hr/> <u>\$ 4,041,351</u>	<hr/> <u>\$ 5,065,846</u>	<hr/> <u>\$ 10,093,297</u>

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	HDC	Foundation	JMB	Total
Statement of operations and changes in net position				
Operating revenues				
Net patient service revenue	\$ 7,036	\$ -0-	\$ -0-	\$ 7,036
Other operating revenue	<u>218,052</u>	<u>374,722</u>	<u>875,887</u>	<u>1,468,661</u>
Total operating revenues	225,088	374,722	875,887	1,475,697
Operating expenses				
Depreciation and amortization	117,611	-0-	410,348	527,959
Other operating expenses	<u>756,585</u>	<u>420,528</u>	<u>473,685</u>	<u>1,650,798</u>
Total operating expenses	874,196	420,528	884,033	2,178,757
Income (loss) from operations	(649,108)	(45,806)	(8,146)	(703,060)
Nonoperating revenues (expenses)	<u>(24,948)</u>	<u>301,967</u>	<u>1,300</u>	<u>278,319</u>
Change in net position	(674,056)	256,161	(6,846)	(424,741)
Net position - beginning of year	561,621	3,710,190	5,072,692	9,344,503
Net position - end of year	<u>\$ (112,435)</u>	<u>\$ 3,966,351</u>	<u>\$ 5,065,846</u>	<u>\$ 8,919,762</u>
	HDC	Foundation	JMB	Total
Statement of cash flows				
Cash provided by				
Operating activities	\$ (278,829)	\$ (49,280)	\$ 414,416	\$ 86,307
Capital and related financing activities	<u>(133,998)</u>	<u>-0-</u>	<u>(365,915)</u>	<u>(499,913)</u>
Investing activities	<u>6,755</u>	<u>166,033</u>	<u>-0-</u>	<u>172,788</u>
Total	(406,072)	116,753	48,501	(240,818)
Cash - beginning of year	592,459	66,032	538,470	1,196,961
Cash - end of year	<u>\$ 186,387</u>	<u>\$ 182,785</u>	<u>\$ 586,971</u>	<u>\$ 956,143</u>

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Condensed component unit information for all of its blended components as of and for the year ended December 31, 2023 is as follows:

	HDC	Foundation	JMB	Total
Balance sheet				
Assets				
Current assets	\$ 756,800	\$ 1,204,472	\$ 557,590	\$ 2,518,862
Assets whose use is limited	-0-	2,510,718	-0-	2,510,718
Capital assets, net	729,215	-0-	4,515,102	5,244,317
Other assets	100,271	-0-	-0-	100,271
Total assets and deferred outflows	<u><u>\$ 1,586,286</u></u>	<u><u>\$ 3,715,190</u></u>	<u><u>\$ 5,072,692</u></u>	<u><u>\$ 10,374,168</u></u>
Liabilities				
Current liabilities	\$ 440,686	\$ 5,000	\$ -0-	\$ 445,686
Long-term liabilities	583,979	-0-	-0-	583,979
Total liabilities	1,024,665	5,000	-0-	1,029,665
Net position				
Net investment in capital assets	38,527	-0-	4,515,102	4,553,629
Restricted expendable	-0-	2,510,718	-0-	2,510,718
Restricted nonexpendable	-0-	-0-	-0-	-0-
Unrestricted	523,094	1,199,472	557,590	2,280,156
Total net position	<u><u>561,621</u></u>	<u><u>3,710,190</u></u>	<u><u>5,072,692</u></u>	<u><u>9,344,503</u></u>
Total liabilities and net position	<u><u>\$ 1,586,286</u></u>	<u><u>\$ 3,715,190</u></u>	<u><u>\$ 5,072,692</u></u>	<u><u>\$ 10,374,168</u></u>
	HDC	Foundation	JMB	Total
Statement of operations and changes in net position				
Operating revenues				
Net patient service revenue	\$ 8,428	\$ -0-	\$ -0-	\$ 8,428
Other operating revenue	218,052	318,785	796,786	1,333,623
Total operating revenues	226,480	318,785	796,786	1,342,051
Operating expenses				
Depreciation and amortization	117,614	-0-	390,087	507,701
Other operating expenses	403,416	360,857	506,754	1,271,027
Total operating expenses	<u><u>521,030</u></u>	<u><u>360,857</u></u>	<u><u>896,841</u></u>	<u><u>1,778,728</u></u>
Income (loss) from operations	(294,550)	(42,072)	(100,055)	(436,677)
Nonoperating revenues (expenses)	(30,981)	95,566	(1,300)	63,285
Change in net position	(325,531)	53,494	(101,355)	(373,392)
Net position - beginning of year	<u><u>887,152</u></u>	<u><u>3,656,696</u></u>	<u><u>5,174,047</u></u>	<u><u>9,717,895</u></u>
Net position - end of year	<u><u>\$ 561,621</u></u>	<u><u>\$ 3,710,190</u></u>	<u><u>\$ 5,072,692</u></u>	<u><u>\$ 9,344,503</u></u>

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	HDC	Foundation	JMB	Total
Statement of cash flows				
Cash provided by				
Operating activities	\$ 15,030	\$ (417,432)	\$ 278,113	\$ (124,289)
Capital and related financing activities	(138,249)	-0-	(584,431)	(722,680)
Investing activities	4,991	190,705	-0-	195,696
Total	(118,228)	(226,727)	(306,318)	(651,273)
Cash - beginning of year	710,687	292,759	844,788	1,848,234
Cash - end of year	<u>\$ 592,459</u>	<u>\$ 66,032</u>	<u>\$ 538,470</u>	<u>\$ 1,196,961</u>

REQUIRED SUPPLEMENTARY INFORMATION

**JACKSON COUNTY SCHNECK MEMORIAL HOSPITAL
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**REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024**

**SCHEDULE OF CHANGES IN THE MEDICAL CENTER'S NET PENSION (ASSET) LIABILITY
AND RELATED RATIOS**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability										
Service cost	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Interest	2,084,360	2,115,041	2,174,673	2,226,588	2,301,237	2,283,328	2,150,623	2,127,933	2,077,981	2,056,704
Difference between expected and actual experience	36,291	(172,087)	255,855	22,974	254,455	(12,770)	82,553	(110,540)	216,064	(278,935)
Change in assumptions	-0-	-0-	1,774,420	1,751,590	2,724,867	-0-	1,321,201	40,006	39,514	38,454
Benefit payments	(2,465,616)	(2,440,928)	(2,375,105)	(2,326,994)	(2,131,990)	(1,944,408)	(1,839,340)	(1,727,210)	(1,654,220)	(1,430,850)
Net change in total pension liability	(344,965)	(497,974)	1,829,843	1,674,158	3,148,569	326,150	1,715,037	330,189	679,339	385,373
Total pension liability - beginning	36,074,880	36,572,854	34,743,011	33,068,853	29,920,284	29,594,134	27,879,097	27,548,908	26,869,569	26,484,196
Total pension liability - ending (a)	\$ 35,729,915	\$ 36,074,880	\$ 36,572,854	\$ 34,743,011	\$ 33,068,853	\$ 29,920,284	\$ 29,594,134	\$ 27,879,097	\$ 27,548,908	\$ 26,869,569
Plan fiduciary net position										
Employer contributions	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Net transfers into (out of) trust	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Net investment income	6,185,879	1,324,639	(1,759,017)	13,806,323	(2,732,753)	1,887,878	4,124,238	5,660,569	(2,126,387)	3,223,583
Benefit payments	(2,465,616)	(2,440,928)	(2,375,105)	(2,326,994)	(2,131,990)	(1,944,408)	(1,839,340)	(1,727,210)	(1,654,220)	(1,430,850)
Administrative expenses	(49,049)	(74,013)	(85,400)	(68,220)	(45,373)	(100,898)	(46,265)	(104,316)	(42,455)	(67,884)
Other	-0-	-0-	-0-	-0-	-0-	(75)	(50)	(50)	-0-	(37,011)
Net change in plan fiduciary net position	3,671,214	(1,190,302)	(4,219,522)	11,411,109	(4,910,116)	(157,503)	2,238,583	3,828,993	(3,823,062)	1,687,838
Plan fiduciary net position - beginning	40,402,974	41,593,276	45,812,798	34,401,689	39,311,805	39,469,308	37,230,725	33,401,732	37,224,794	35,536,956
Plan fiduciary net position - ending (b)	\$ 44,074,188	\$ 40,402,974	\$ 41,593,276	\$ 45,812,798	\$ 34,401,689	\$ 39,311,805	\$ 39,469,308	\$ 37,230,725	\$ 33,401,732	\$ 37,224,794
Medical Center net pension (asset) liability - ending (a) - (b)	\$ (8,344,273)	\$ (4,328,094)	\$ (5,020,422)	\$ (11,069,787)	\$ (1,332,836)	\$ (9,391,521)	\$ (9,875,174)	\$ (9,351,628)	\$ (5,852,824)	\$ (10,355,225)
Plan fiduciary net position as a percentage of the total net pension liability	123.35%	112.00%	113.73%	131.86%	104.03%	131.39%	133.37%	133.54%	121.25%	138.54%
Covered payroll	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Medical Center net pension (asset) liability as a percentage of covered payroll	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

**JACKSON COUNTY SCHNECK MEMORIAL HOSPITAL
AND AFFILIATED ORGANIZATIONS**

**REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024**

SCHEDULE OF MEDICAL CENTER CONTRIBUTIONS

	Actuarially determined contribution	Employer contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a % of covered payroll
4/30/2024	\$ -0-	\$ -0-	\$ -0-	Not Applicable	Not Applicable
4/30/2023	-0-	-0-	-0-	Not Applicable	Not Applicable
4/30/2022	-0-	-0-	-0-	Not Applicable	Not Applicable
4/30/2021	-0-	-0-	-0-	Not Applicable	Not Applicable
4/30/2020	-0-	-0-	-0-	Not Applicable	Not Applicable
4/30/2019	-0-	-0-	-0-	Not Applicable	Not Applicable
4/30/2018	-0-	-0-	-0-	Not Applicable	Not Applicable
4/30/2017	-0-	-0-	-0-	Not Applicable	Not Applicable
4/30/2016	-0-	-0-	-0-	Not Applicable	Not Applicable
4/30/2015	-0-	-0-	-0-	Not Applicable	Not Applicable

Notes to Schedule

Valuation date: Actuarially determined contribution rates are calculated as of May 1, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine most current contribution rate above:

Actuarial cost method	Entry Age
Amortization method	Level dollar, open
Remaining amortization method	30 years
Asset valuation method	Market value
Inflation	2.50%
Salary increases	Not applicable (Plan is frozen)
Investment rate of return	6.50%
Retirement age	65
Mortality	SOA published mortality table: Pri-2012 annuitant/non-annuitant mortality



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**Report of Independent Auditors on Internal Control Over Financial Reporting and on
 Compliance and Other Matters Based on an Audit of Financial Statements
 Performed in Accordance with *Government Auditing Standards***

Board of Trustees
 Jackson County Schneck Memorial Hospital
 and Affiliated Organizations
 Seymour, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Jackson County Schneck Memorial Hospital (d/b/a Schneck Medical Center) and Affiliated Organizations (collectively the "Medical Center"), component units of Jackson County, which comprise the balance sheet as of December 31, 2024, and the related statements of operations and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 29, 2025.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2024-001 and 2024-002, that we consider to be significant deficiencies.

Board of Trustees
Jackson County Schneck Memorial Hospital
and Affiliated Organizations
Seymour, Indiana

Report on Compliance and Other Matters

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

Medical Center's Response to Finding

The Medical Center's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Medical Center's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Blue & Co., LLC

Louisville, Kentucky
April 29, 2025

JACKSON COUNTY SCHNECK MEMORIAL HOSPITAL AND AFFILIATED ORGANIZATIONS

SCHEDULE OF FINDINGS AND RESPONSES DECEMBER 31, 2024

SIGNIFICANT DEFICIENCIES

2024-001

Segregation of Duties – Cash Receipts

Criteria – The Medical Center's internal control processes should ensure that employees handling cash are not able to adjust patient accounts receivable balances.

Condition – During our audit procedures, we noted that certain cashiers have the ability to both receive patient payments and post adjustments or write-offs to patient accounts receivable balances.

Cause – The cause of this deficiency is due to the lack of internal controls related to segregation of duties.

Effect – The effect is a deficiency in the design of internal control procedures to prevent misappropriation of cash.

Recommendation – We recommend that the Medical Center review these processes to prevent employees from having the ability to both collect patient payments and adjust patient accounts receivable balances.

Management's Response – To respond to this lack of segregation of duties, the Medical Center has had in place certain mitigating internal controls, including management's review and approval of charity care write-offs and review and approval of bad debt write-offs. In addition, the majority of patient payments received are not in cash, which results in a lower risk of material misappropriation. Lastly, there are three cashiers that currently receive cash payments. Management has performed a cost benefit analysis surrounding this lack of segregation of duties, and has concluded that currently the cost of strengthening internal controls in this area outweigh the benefits.

This is a repeat finding from the immediately prior audit. The prior finding number was 2023-001.

2024-002

Segregation of Duties – Nursing Homes

Criteria – The Medical Center's internal control processes at their nursing homes should ensure proper segregation of duties.

Condition – During our audit procedures, we noted that certain nursing homes have few accounting personnel, therefore making it difficult to have a proper segregation of duties.

**JACKSON COUNTY SCHNECK MEMORIAL HOSPITAL
AND AFFILIATED ORGANIZATIONS**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2024**

Cause – The cause of this deficiency is due to the lack of personnel required to ensure proper segregation of duties over various internal control processes.

Effect – The effect is a deficiency in the design of internal control procedures to ensure proper segregation of duties.

Recommendation – We recommend that the Medical Center review these processes to ensure a design of proper segregation of duties over internal control processes at their nursing homes. We also recommend that existing internal controls be documented as performed by appropriate sign-off and dating of reviews, approvals, and processes.

Management's Response – Management has performed a cost benefit analysis surrounding this lack of segregation of duties, and has concluded that currently the cost of strengthening internal controls in this area outweighs the benefits.

This is a repeat finding from the immediately prior audit. The prior finding number was 2023-002.

JACKSON COUNTY SCHNECK MEMORIAL HOSPITAL AND AFFILIATED ORGANIZATIONS

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES DECEMBER 31, 2024

SIGNIFICANT DEFICIENCIES

2023-001

Segregation of Duties – Cash Receipts

Condition and Criteria – During our audit procedures, we noted that certain cashiers have the ability to both receive patient payments and post adjustments or write-offs to patient accounts receivable balances. The Medical Center's internal control processes should ensure that employees handling cash are not able to adjust patient accounts receivable balances.

Recommendation – We recommended that the Medical Center review these processes to prevent employees from having the ability to both collect patient payments and adjust patient accounts receivable balances.

Current Year Resolution – Based on the 2024 audit results, we identified a similar, repeat occurrence of this prior year finding. Therefore, we included this matter in our 2024 findings.

2023-002

Segregation of Duties – Nursing Homes

Condition and Criteria – During our audit procedures, we noted that certain nursing homes had few accounting personnel, making it difficult to have a proper segregation of duties. The Medical Center's internal control processes at their nursing homes should ensure proper segregation of duties.

Recommendation – We recommended that the Medical Center review these processes to ensure a design of proper segregation of duties over internal control processes at their nursing homes. We also recommended that existing internal controls be documented as performed by appropriate sign-off and dating of reviews, approvals, and processes.

Current Year Resolution – Based on the 2024 audit results, we identified a similar, repeat occurrence of this prior year finding. Therefore, we included this matter in our 2024 findings.