



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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September 5, 2023

Board of Directors  
Indiana Hospital Association, Inc.  
500 N. Meridian St., Suite 250  
Indianapolis, IN 46204

We have reviewed the audit report of Indiana Hospital Association, Inc., which was opined upon by Blue & Co., LLC, Independent Public Accountants, for the period January 1, 2022 to December 31, 2022. Per the *Report of Independent Auditors* the financial statements included in the report present fairly the financial condition of Indiana Hospital Association, Inc. as of December 31, 2022 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

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

A handwritten signature in cursive script that reads "Tammy R. White".

Tammy R. White, CPA  
Deputy State Examiner



# Indiana Hospital Association

**CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2022 AND 2021**

**AND**

**SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2022**

*CPAs / ADVISORS*



# INDIANA HOSPITAL ASSOCIATION, INC.

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## REPORT OF INDEPENDENT AUDITORS

Board of Directors  
Indiana Hospital Association, Inc.  
Indianapolis, Indiana

### Report on the Audit of Consolidated Financial Statements

#### *Opinion*

We have audited the accompanying consolidated financial statements of the Indiana Hospital Association, Inc. (the Association), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2022 and 2021, and the changes in its net assets 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, standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources*, issued by the Indiana State Board of Accounts. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Association 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.

#### *Change in Accounting Principle*

As discussed in Note 2 to the consolidated financial statements, the Association adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

Board of Directors  
Indiana Hospital Association, Inc.  
Indianapolis, Indiana

*Responsibilities of Management for the Consolidated Financial Statements*

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

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

*Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 consolidated 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 consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the 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 Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

Board of Directors  
Indiana Hospital Association, Inc.  
Indianapolis, Indiana

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 13, 2023 on our consideration of the Association'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 Association's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the *Government Auditing Standards* internal control over financial reporting and compliance.

**Blue & Co., LLC**

Indianapolis, Indiana  
July 13, 2023

**INDIANA HOSPITAL ASSOCIATION, INC.**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2022 AND 2021

**ASSETS**

	2022	2021
<b>Current assets</b>		
Cash	\$ 885,039	\$ 2,106,811
Investments	11,169,235	10,511,540
Contracts receivable	711,127	752,671
Grants receivable	807,880	637,504
Prepaid expenses	227,063	226,319
Total current assets	13,800,344	14,234,845
<b>Property and equipment</b>		
Leasehold improvements	229,549	229,549
Office furniture and equipment	400,552	464,675
Computer equipment and software	600,782	777,737
Right-of-use asset under operating lease	1,411,226	-0-
	2,642,109	1,471,961
Accumulated depreciation	(793,786)	(983,431)
Property and equipment, net	1,848,323	488,530
Total assets	\$ 15,648,667	\$ 14,723,375

**LIABILITIES AND NET ASSETS**

<b>Current liabilities</b>		
Accounts payable and other related liabilities	\$ 799,142	\$ 1,398,985
Accrued paid time off	514,520	524,452
Accrued payroll and related benefits	178,832	139,282
Funds held for others	2,059,813	1,371,987
Contract liabilities	27,950	95,212
Refundable advances	171,053	307,824
Other current liabilities	-0-	266,833
Current portion of operating lease liability	158,927	-0-
Total current liabilities	3,910,237	4,104,575
<b>Long-term operating lease liability less current portion</b>	1,252,299	-0-
Total liabilities	5,162,536	4,104,575
<b>Net assets without donor restrictions</b>		
Undesignated	9,402,547	9,583,024
Board designated - patient safety	1,083,584	1,035,776
Total net assets without donor restrictions	10,486,131	10,618,800
Total liabilities and net assets	\$ 15,648,667	\$ 14,723,375

See accompanying notes to consolidated financial statements.

**INDIANA HOSPITAL ASSOCIATION, INC.****CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
<b>Revenues</b>		
Membership dues	\$ 6,660,189	\$ 6,426,418
Educational programs	183,706	93,100
Data services	817,804	528,762
Solutions Endorsed Business Partner Program	2,411,981	1,313,979
Grants	10,420,296	4,665,944
Contributions - Hospital Assistance	678,912	2,833,766
Other	255,488	171,152
Total revenues	<u>21,428,376</u>	<u>16,033,121</u>
<b>Expenses</b>		
Salaries, wages, and benefits	5,716,007	5,579,310
Member meetings and education	744,445	305,637
External relations and development	356,253	227,952
Purchased member services	9,856,037	4,664,449
Purchased other services	976,382	742,413
Member communications	478,899	310,001
Rent and depreciation	296,330	251,201
Office expense	359,061	374,026
Support - Hospital Assistance	662,647	2,777,998
Other	430,791	247,428
Total expenses	<u>19,876,852</u>	<u>15,480,415</u>
Revenues over expenses	1,551,524	552,706
<b>Non-operating</b>		
Investment return (loss), net	<u>(1,684,193)</u>	<u>1,051,809</u>
Change in net assets without donor restrictions	(132,669)	1,604,515
<b>Net assets</b>		
Beginning of year	<u>10,618,800</u>	<u>9,014,285</u>
End of year	<u>\$ 10,486,131</u>	<u>\$ 10,618,800</u>

See accompanying notes to consolidated financial statements.

## INDIANA HOSPITAL ASSOCIATION, INC.

### CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
<b>Operating activities</b>		
Change in net assets	\$ (132,669)	\$ 1,604,515
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	105,770	79,992
Net realized and unrealized (gain) loss on investments	1,661,901	(1,101,154)
Changes in operating assets and liabilities		
Contracts receivable	41,544	(543,387)
Grants receivable	(170,376)	3,196,285
Prepaid expenses	(744)	(74,584)
Right-of-use asset under operating lease	(1,411,226)	-0-
Accounts payable and other related liabilities	(599,843)	964,790
Accrued paid time off	(9,932)	49,704
Accrued payroll and related benefits	39,550	1,473
Funds held for others	687,826	324,491
Contract liabilities	(67,262)	(221,891)
Refundable advances	(136,771)	(3,347,188)
Other current liabilities	(266,833)	107,333
Operating lease liability	1,411,226	-0-
Net cash flows from operating activities	1,152,161	1,040,379
<b>Investing activities</b>		
Purchase of investments	(9,228,416)	(1,027,065)
Proceeds from sale of investments	6,908,820	890,265
Additions to property and equipment	(54,337)	(272,478)
Net cash flows from investing activities	(2,373,933)	(409,278)
Net change in cash	(1,221,772)	631,101
<b>Cash</b>		
Beginning of year	2,106,811	1,475,710
End of year	\$ 885,039	\$ 2,106,811
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for income taxes	\$ 149,280	\$ 102,969

See accompanying notes to consolidated financial statements.

# INDIANA HOSPITAL ASSOCIATION, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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### 1. SIGNIFICANT ACCOUNTING POLICIES

#### Organization

The Indiana Hospital Association, Inc. (the Association) was organized in 1938. The mission of the Association is to provide leadership, representation and services in the common best interests of its members as they promote the improvement of community health status. The significant accounting policies followed by the Association in the preparation of its consolidated financial statements are summarized below.

#### Basis of Accounting

The Association's consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America for not-for-profit organizations. Accordingly, the Association's accounts are stated on the accrual basis of accounting, whereby revenues are recorded as performance obligations are satisfied and expenses are recorded as incurred.

#### Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Principles of Consolidation

The accompanying consolidated financial statements include accounts of the Association, IHA Hospital Assistance Foundation, Inc. (the Foundation) and IHA Solutions, LLC (IHA Solutions). Because the Association is the sole corporate member of the Foundation and IHA Solutions, the financial position, change in net assets and cash flows of the Foundation and IHA Solutions are included with the Association for financial reporting purposes. All material intercompany balances and transactions have been eliminated in consolidation.

#### Consolidated Entities

The Foundation was formed as a not-for-profit corporation and recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code. The purpose of the Foundation is to support the activities of the Association which includes improving access to quality health care for the people of Indiana and providing financial assistance to qualifying Indiana hospitals to address financial difficulties related to undercompensated and charity health care. During 2022 and 2021, the Foundation recognized approximately \$679,000 and \$2,834,000, respectively, in contributions and recorded \$663,000 and \$2,778,000, respectively, as financial assistance support to qualified Indiana hospitals.

# INDIANA HOSPITAL ASSOCIATION, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

The Foundation incurs an administrative fee due to the Association to manage its financial activity. The administrative fee during 2022 and 2021 approximated \$16,000 and \$56,000, respectively. These amounts are eliminated in the consolidated financial statements.

IHA Solutions was founded in 2014 as a limited liability company with the Association being the sole member. The purpose of IHA Solutions is to work with healthcare vendors to recommend and provide services to the Association's membership.

The following is a financial summary (rounded to the nearest \$100<sup>th</sup>) for the Foundation and IHA Solutions as of December 31, 2022 and 2021 and for the years then ended.

	Foundation		IHA Solutions	
	2022	2021	2022	2021
Assets	\$ 271,800	\$ 561,700	\$ 3,027,700	\$ 1,805,200
Liabilities	\$ 268,800	\$ 558,800	\$ 481,200	\$ 599,200
Net assets	3,000	2,900	2,546,500	1,206,000
	\$ 271,800	\$ 561,700	\$ 3,027,700	\$ 1,805,200
Revenues	\$ 678,900	\$ 2,833,800	\$ 2,412,000	\$ 1,314,000
Expenses	678,800	2,833,600	1,071,500	823,200
Change in net assets	\$ 100	\$ 200	\$ 1,340,500	\$ 490,800

### Cash

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

### Investments and Investment Return (Loss)

Investments included in current assets are generally reported at fair value and consist of money market mutual funds, mutual funds, common stocks, U.S. Government obligations, and corporate bonds. Investment return is accrued as earned. The Association considers all interest and dividends, realized and unrealized gains and losses on investments to be components of investment return (loss).

### Contracts Receivable

Contracts receivable are stated at the amount billed to customers which generally approximates the net realizable value and consist of amounts due from memberships, educational programs, conferences such as the annual meeting, data services and other services. Credit is generally extended on a short-term basis; thus, contracts receivable do not bear interest, although an interest charge may be applied to such receivables that are past due.

# INDIANA HOSPITAL ASSOCIATION, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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The Association provides an allowance for doubtful accounts that is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Based on management's assessment of the credit history with members and grantor agencies, as of December 31, 2022 and 2021, no allowance for doubtful accounts was recorded as all receivables are expected to be collected. Contracts receivable as of January 1, 2021 approximated \$209,000 with no allowance for doubtful accounts.

### Property, Equipment and Depreciation

Property and equipment are stated at cost and include leasehold improvements and equipment and those expenditures which substantially increase the useful lives of existing facilities and equipment. Maintenance, repairs and minor renewals are expensed as incurred. Depreciation expense was approximately \$106,000 and \$80,000 during 2022 and 2021, respectively. Provisions for depreciation of property and equipment are computed using the straight-line method. Leasehold improvements are depreciated over the shorter of the lease term or estimated useful life of 10 years. Useful lives for office furniture and equipment range from 5 to 7 years and computer equipment and software from 3 to 5 years.

### Contract Liabilities

Contract liabilities represent consideration received in advance, primarily from members, for which the Association has not satisfied its performance obligations. Contract liabilities as of January 1, 2021 approximated \$317,000.

### Net Assets

Net assets and revenues are classified based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions are not subject to donor-imposed restrictions. Net assets with donor restrictions are subject to donor-imposed restrictions relating to a stipulated purpose or a specified time, or are subject to donor-imposed restrictions that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Association. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. The Association did not have net assets with donor restrictions as of December 31, 2022 and 2021. The Association had designated net assets of approximately \$1,084,000 and \$1,036,000 for patient safety as of December 31, 2022 and 2021, respectively.

### Membership dues

Membership dues are paid by members for three distinct benefits; advocacy efforts, member services, and discounted professional development. Membership dues are recorded as contract liabilities at the time they are received, and recognized as revenue as the separate performance obligations are realized, evenly over the membership period, which coincides with the Association's fiscal year.

## INDIANA HOSPITAL ASSOCIATION, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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#### Educational Programs and Annual Meeting

Conference and event revenue from educational programs and the Association's annual meeting (including event sponsorships and event registrations) are recorded as contract liabilities when received and recognized as revenue in the period in which the conference or event occurs.

#### Data Services

Revenue from data services is earned from providing reports to customers based on the customer's requests. The performance obligation is the delivery of the reports to the customer. Each report is individually priced; therefore, no allocation of the transaction price is considered necessary. The Association recognizes revenue at the point of time when the generated reports are transferred to the customer. The revenue is recognized in the amount to which the Association has a right to invoice (generally determined and billed on a monthly basis), when the services are rendered and the reports are transferred to the customer. Returns of reports are not typical and management believes no liability for probable customer returns is considered necessary.

Customers can also purchase data licenses to IHA data products. The licenses are annual and begin when customers agree to the terms of the software use. Most license agreements coincide with the Association's fiscal year end. The licenses are individually priced; therefore, no allocation of the transaction price is considered necessary. The Association recognizes revenue evenly over the life of the license beginning when the user agrees to the terms of the license and control of the license transfers to the customer. For license agreements that transcend the Association's fiscal year end, a contract liability is recognized.

Generally, the transaction price in contracts or purchase orders is known at inception and is allocated to the performance obligations based upon the stand-alone selling prices of the promised goods or services. The Association typically does not enter into contracts in which the period between transfer of goods or services to the customer and payment by the customer is greater than one year. Therefore, the consideration amounts are not adjusted for the time value of money. The Association recognizes any incremental costs to obtain a contract as an expense when incurred as these costs are not material and would be amortized over a period less than one year if recognized.

#### Solutions Endorsed Business Partner Program

IHA Solutions was designed to connect Association members to trusted market solutions and is branded as Endorsed Business Partner Program. Benefits include education, cost savings and time savings. Revenue is recorded as contract liabilities when received and recognized as revenue evenly over the sponsorship period, which typically coincides with the Association's fiscal year.

# INDIANA HOSPITAL ASSOCIATION, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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### Grants

A portion of the Association's revenue is derived from cost-reimbursable federal and state contracts and grants through exchange transactions, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Receipt of these funds is subject to the fulfillment of certain obligations by the Association as prescribed by these grants and funds may be subject to repayment upon a determination of noncompliance made by a funding agency. Amounts received are recognized as revenue when the Association has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring allowable qualifying expenditures are reported as refundable advances in the consolidated statements of financial position and were approximately \$171,000 and \$308,000 as of December 31, 2022 and 2021, respectively. The Association did recognize receivables from grants of \$808,000 and \$638,000 as of December 31, 2022 and 2021, respectively, related to cost-reimbursement and satisfaction of certain contract milestones.

### Contributions – Hospital Assistance

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. The Association recognizes all contributions as revenue in the period received. All contributions are considered to be without donor restrictions unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions. Contributions that are received and whose restrictions are satisfied within the same reporting period are reported as net assets without donor restrictions. The Association also evaluates whether a contribution is unconditional or conditional based on the absence or presence of barriers and any right of return provisions.

### Income Taxes

The Association is a not-for-profit corporation and has been recognized as tax-exempt pursuant to Section 501(c)(6) of the Internal Revenue Code (IRC). The Foundation is a not-for-profit corporation and has been recognized as tax-exempt pursuant to Section 501(c)(3) of the IRC. As such, the Association and Foundation are generally exempt from income taxes. However, the Association and Foundation are required to file Federal Form 990 Return of Organization Exempt from Income Tax, which is an informational return only. The exemption is on all income except unrelated business income as noted under Section 511 of the IRC.

IHA Solutions is organized as a limited liability company, whereby net taxable income is taxed directly to the Association and not IHA Solutions. Since the Association is the sole member of IHA Solutions, it is treated as a disregarded entity under the appropriate code of the IRC. As such, the financial activity of IHA Solutions is included in the Association's Federal Form 990 Return of Organization Exempt from Income Tax.

# INDIANA HOSPITAL ASSOCIATION, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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IRC Section 513(a) defines an unrelated trade or business of an exempt organization as any trade or business which is not substantially related to the exercise or performance of its exempt purpose. Certain sponsorship income generated by the Association is considered unrelated business income. The effects of recording a deferred tax provision are not significant and have not been included in the accompanying consolidated financial statements.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Association and Foundation and recognize a tax liability if the Association or Foundation have taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the Association and Foundation, and has concluded that as of December 31, 2022 and 2021, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying consolidated financial statements. The Association and Foundation are subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

The Association and Foundation have filed their federal and state income tax returns for periods through December 31, 2021. These income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

### Reclassifications

Certain amounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform to the current year presentation. The reclassifications have no effect on previously reported change in net assets or net assets.

### Subsequent Events

The Association evaluated events or transactions occurring subsequent to the consolidated statement of financial position date for recognition and disclosure in the accompanying consolidated financial statements through the date the consolidated financial statements were available to be issued which was July 13, 2023.

## **2. CHANGE IN ACCOUNTING PRINCIPLE**

On January 1, 2022, the Association adopted the new lease accounting standard issued by the Financial Accounting Standards Board (FASB) and codified in the Accounting Standards Codification (ASC) as Topic 842 (ASC 842). The lease standard in ASC 842 intended to improve financial reporting about leasing transactions by requiring entities to recognize on the statements of financial position the assets and liabilities for the rights and obligations created by those leases, and to provide additional disclosures regarding the leases. Leases with terms (as defined in ASC 842) of twelve months or less are not required to be reflected on an entity's statements of financial position.

# INDIANA HOSPITAL ASSOCIATION, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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When adopting ASC 842, the Association applied the modified retrospective approach to all lease agreements. ASC 842 was applied retrospectively to the beginning of the period of adoption through a cumulative-effect adjustment recognized as of January 1, 2022. Prior period amounts have not been adjusted and continue to be reported in accordance with the previous accounting guidance in ASC 840. The adoption of ASC 842 had a material impact on the consolidated statements of financial position but did not have a significant impact on the consolidated statements of activities and changes in net assets and the consolidated statements of cash flows. As of January 1, 2022, the Association's total assets and total liabilities increased by approximately \$1,567,000 as a result of ASC 842. The most significant impact was the recognition of right-of-use (ROU) assets under operating leases and operating lease liabilities for operating leases.

The Association elected the available practical expedients to account for its existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether any expired or existing contracts contain a lease, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs, if any, before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement. In addition, the Association elected the hindsight practical expedient to determine the lease term for existing leases.

### 3. INVESTMENTS

Investments are carried at fair market value and consist of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Money market mutual funds	\$ 3,251,462	\$ 4,141,985
Mutual funds	2,594,684	1,692,681
Common stocks	2,288,721	2,714,104
US Government and government agency obligations	900,704	457,790
Corporate bonds	<u>2,133,664</u>	<u>1,504,980</u>
	<u>\$ 11,169,235</u>	<u>\$ 10,511,540</u>

Investment return (loss) consists of the following for 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 135,888	\$ 79,822
Realized and unrealized gain (loss)	(1,661,901)	1,101,154
Allocation to funds held for others	<u>(117,784)</u>	<u>(97,628)</u>
	(1,643,797)	1,083,348
Investment expenses	<u>(40,396)</u>	<u>(31,539)</u>
Investment return (loss), net	<u>\$ (1,684,193)</u>	<u>\$ 1,051,809</u>

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# INDIANA HOSPITAL ASSOCIATION, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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### 4. FUNDS HELD FOR OTHERS

The Association holds funds for various related districts and other professional societies. The funds are included with the Association's operating cash and investments. The Association provides accounting services to the societies. As such, there is a flat service fee assessed only on the professional society funds. The professional societies receive an allocation of investment return from the Association annually. The district funds are used mainly for reimbursement of district meeting expenses, such as meals and room rental. The professional society funds are used for any expense of the societies. Total funds held for others were approximately \$2,060,000 and \$1,372,000 as of December 31, 2022 and 2021, respectively.

### 5. FAIR VALUE MEASUREMENTS

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

- *Level 1:* Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association 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'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 as of December 31, 2022 and 2021.

- *Money market mutual funds:* Valued based at the 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 securities.
- *Mutual funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by the Association are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Association are deemed to be actively traded.
- *Common stocks:* Valued at the closing price reported on the active market on which the individual securities are traded.

**INDIANA HOSPITAL ASSOCIATION, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

- *U.S. Government and government agency obligations:* Valued using pricing models maximizing the use of observable inputs for similar securities.
- *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 issuers with similar credit ratings.

Assets measured at fair value on a recurring basis as of December 31, 2022 and 2021 are as follows:

	December 31, 2022			
	Total	Level 1	Level 2	Level 3
<b>Assets</b>				
<b>Investments</b>				
Money market mutual funds	\$ 3,251,462	\$ -0-	\$ 3,251,462	\$ -0-
<b>Mutual funds - large growth</b>				
Small cap	620,680	620,680	-0-	-0-
Mid cap	577,825	577,825	-0-	-0-
Large growth	1,396,179	1,396,179	-0-	-0-
Total mutual funds	2,594,684	2,594,684	-0-	-0-
<b>Common stocks</b>				
Financial	279,204	279,204	-0-	-0-
Technology	632,302	632,302	-0-	-0-
Healthcare	439,019	439,019	-0-	-0-
Consumer goods	427,205	427,205	-0-	-0-
Industrial goods	273,818	273,818	-0-	-0-
Other	237,173	237,173	-0-	-0-
Total common stocks	2,288,721	2,288,721	-0-	-0-
US Government and government agency obligations	900,704	-0-	900,704	-0-
<b>Corporate bonds</b>				
Rated A, A+, A-	391,895	-0-	391,895	-0-
Other	1,741,769	-0-	1,741,769	-0-
Total corporate bonds	2,133,664	-0-	2,133,664	-0-
Total investments	<u>\$ 11,169,235</u>	<u>\$ 4,883,405</u>	<u>\$ 6,285,830</u>	<u>\$ -0-</u>

**INDIANA HOSPITAL ASSOCIATION, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

	December 31, 2021			
	Total	Level 1	Level 2	Level 3
<b>Assets</b>				
Investments				
Money market mutual funds	\$ 4,141,985	\$ -0-	\$ 4,141,985	\$ -0-
Mutual funds - large growth				
Small cap	347,222	347,222	-0-	-0-
Mid cap	697,886	697,886	-0-	-0-
Large growth	647,573	647,573	-0-	-0-
Total mutual funds	1,692,681	1,692,681	-0-	-0-
Common stocks				
Financial	331,593	331,593	-0-	-0-
Technology	1,016,319	1,016,319	-0-	-0-
Healthcare	407,919	407,919	-0-	-0-
Consumer goods	480,457	480,457	-0-	-0-
Industrial goods	257,602	257,602	-0-	-0-
Other	220,214	220,214	-0-	-0-
Total common stocks	2,714,104	2,714,104	-0-	-0-
US Government and government agency obligations	457,790	-0-	457,790	-0-
Corporate bonds				
Rated A, A+, A-	550,816	-0-	550,816	-0-
Other	954,164	-0-	954,164	-0-
Total corporate bonds	1,504,980	-0-	1,504,980	-0-
Total investments	<u>\$ 10,511,540</u>	<u>\$ 4,406,785</u>	<u>\$ 6,104,755</u>	<u>\$ -0-</u>

The Association holds investments which are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying consolidated financial statements.

**6. RETIREMENT PLAN**

Substantially all of the employees of the Association participate in a defined contribution retirement plan. The plan provides for normal retirement and death benefits and is funded by the Association based on a percentage of employee earnings. Retirement expense for 2022 and 2021, was approximately \$457,000 and \$413,000, respectively.

## INDIANA HOSPITAL ASSOCIATION, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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#### 7. LEASES

The Association recognizes ROU assets and lease liabilities for leases with terms greater than 12 months or leases that contain a purchase option that is reasonably certain to be exercised. Leases are classified as either finance or operating leases. This classification dictates whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. The Association had no financing leases as of December 31, 2022 and 2021.

The Association has an operating lease for office facilities. Leasing arrangements required fixed payments and also include an amount that was probable to be owed under residual value guarantees, if applicable. Lease payments also included payments related to purchase or termination options when the lessee was reasonably certain to exercise the option or was reasonably certain not to exercise the option, respectively. The Association's lease agreement did not contain any material restrictive covenants. The lease has a remaining term that expires during 2031.

The Association's ROU assets and lease liabilities were recognized on the lease commencement date in an amount that represented the present value of future lease payments over the lease term. As a non public business entity, the Association made a policy election to use a risk-free discount rate based on the rate of a zero-coupon U.S. Treasury instrument commensurate to the lease term as the discount rate for its leases unless the Association could specifically determine the lessor's implicit rate. Certain lease contracts contained nonlease components such as maintenance and utilities. Nonlease components were recognized distinctly from all of its ROU assets and lease liabilities. The operating lease ROU asset also included any lease payments made and excluded lease incentives, if any.

Short-term leases (leases with an initial term of 12 months or less or leases that are cancelable by the lessee and lessor without significant penalties) are not capitalized but are expensed on a straight-line basis over the lease term. There were no significant short-term leases during 2022 and 2021.

In evaluating contracts to determine if they qualify as a lease, the Association considers factors such as if it has obtained substantially all of the rights to the underlying asset through exclusivity, if the Association can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. Furthermore, the Association assesses whether it is reasonably certain to exercise options to extend or terminate a lease considering all relevant factors that create economic incentive to exercise such options, including asset, contract, market, and entity-based factors. These evaluations may require significant judgement.

## INDIANA HOSPITAL ASSOCIATION, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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The components of operating lease ROU asset and liability as of December 31, 2022 are as follows:

Right-of-use asset	
Operating lease asset	<u>\$ 1,411,226</u>
Lease liability	
Operating lease liability, current	\$ 158,927
Operating lease liability, noncurrent	<u>1,252,299</u>
Total lease liability	<u>\$ 1,411,226</u>

The weighted average remaining lease term for the operating lease was 8.25 years as of December 31, 2022. The weighted average discount rate for 2022 was 2.00%. Both the total lease expense and cash paid for operating cash flows from operating leases for 2022 was approximately \$186,000. Total lease expense for 2021 as approximately \$186,000. The future payments of the lease liability are as follows:

Year Ending	
<u>December 31,</u>	
2023	\$ 185,700
2024	185,700
2025	185,700
2026	185,700
2027	185,700
Thereafter	<u>603,525</u>
	1,532,025
Less interest	<u>(120,799)</u>
	<u>\$ 1,411,226</u>

As of December 31, 2021, the Association had operating lease agreements for office space and equipment through February 2031. Minimum future rental payments under the terms of these agreements were approximately:

Year Ending	
<u>December 31,</u>	
2022	\$ 185,705
2023	185,705
2024	185,705
2025	185,705
2026	185,705
Thereafter	<u>773,771</u>
	<u>\$ 1,702,296</u>

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## INDIANA HOSPITAL ASSOCIATION, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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#### 8. RELATED PARTY TRANSACTIONS

The Association is affiliated with The Albert G. and Grace Hahn Educational Foundation of the Indiana Hospital Association, Inc. (the Hahn Foundation), a legally separate not-for-profit organization. The Association's executive committee comprises the Hahn Foundation's board of directors. There is no economic interest between the Association and the Hahn Foundation and consolidation is not required. The Association recorded receivables from the Hahn Foundation of approximately \$24,000 and \$412,000 of December 31, 2022 and 2021, respectively. During 2022 and 2021, the Hahn Foundation did not make contributions to the Association.

The Association's facilities and some of its employees are utilized by the Hahn Foundation. However, the in-kind value of the services is not considered significant to the Association's consolidated financial statements.

#### 9. DEFERRED COMPENSATION AGREEMENTS

The Association has various deferred compensation arrangements with key employees including a nonqualified deferred compensation supplemental retirement plan. The agreements are primarily salary deferral arrangements with minimal cost to the Association. Under the terms of the supplemental retirement plan, the Association annually credits the plan on behalf of the key employees, amounts set forth under the plan agreement with established vesting requirements. Total expense related to the plans was \$-0- and approximately \$108,000 for 2022 and 2021, respectively. During 2022, the assets were distributed in full to the participants in the plan.

#### 10. STATE AND LOCAL GRANT AWARDS

*Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Government Sources*, issued by the Indiana State Board of Accounts, requires Indiana not-for-profit entities to disclose federal, state, and local awards expended during the entities' annual reporting period. There were no local awards expended during 2022 and 2021. Federal awards are included in the Schedule of Expenditures of Federal Awards (SEFA) as supplementary information to the consolidated financial statements. During 2022 and 2021, the Association expended the following state awards.

<u>Grantor - Contract Provider</u>	<u>Contract ID #</u>	<u>2022</u>	<u>2021</u>
State - Indiana State Dept. of Health			
Safety PIN (Protecting Indiana's Newborns)	34374 & 51776	\$ 388,519	\$ 210,446
Tobacco Prevention and Cessation	25097	-0-	52,101
Total state awards		<u>\$ 388,519</u>	<u>\$ 262,547</u>

## INDIANA HOSPITAL ASSOCIATION, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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A reconciliation of grant revenue reported on the consolidated statements of activities and changes in net assets for 2022 and 2021 is as follows:

	2022	2021
Federal	\$ 9,770,089	\$ 4,172,551
State	388,519	262,547
Private	261,688	230,846
Total grants	<u>\$ 10,420,296</u>	<u>\$ 4,665,944</u>

#### 11. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Association's financial assets available within one year of the consolidated statement of financial position date for general expenditure are as follows:

	2022	2021
Cash	\$ 885,039	\$ 2,106,811
Investments	11,169,235	10,511,540
Contracts receivable	711,127	752,671
Grants receivable	807,880	637,504
	<u>13,573,281</u>	<u>14,008,526</u>
Funds held for others	(2,059,813)	(1,371,987)
Board designated assets	(1,083,584)	(1,035,776)
End of year	<u>\$ 10,429,884</u>	<u>\$ 11,600,763</u>

Contracts and grants receivable are subject to implied time restrictions, but are expected to be collected within one year. As a part of the Association's liquidity management, it has a policy to structure financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Association periodically invests excess cash in investments. The Association has no plans to liquidate investments for general expenditure.

#### 12. FUNCTIONAL EXPENSES

The Association provides leadership, representation and services in the common interests of its members as they promote the improvement of community health status. The consolidated financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Association. Certain costs, such as salaries, wages and benefits, have been allocated among program services and administrative and general expenditures based upon time spent by the Association's personnel. Other expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include rent and depreciation which are allocated based on the ratio of direct costs charged to the category to total direct costs. Fundraising expenses are not considered significant to the consolidated financial statements. Although the methods used were appropriate, alternative methods may provide different results.

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## INDIANA HOSPITAL ASSOCIATION, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Expenses related to providing these services for 2022 and 2021 are as follows:

	December 31, 2022				
	Program Services				
	Health Care Initiatives	Grants	Total	General & Administrative	Total Expenses
Salaries, wages, and benefits	\$ 4,206,218	\$ 938,188	\$ 5,144,406	\$ 571,601	\$ 5,716,007
Member meetings and education	535,438	134,562	670,000	74,445	744,445
External relations and development	300,716	19,912	320,628	35,625	356,253
Purchased member services	575,249	8,689,426	9,264,675	591,362	9,856,037
Purchased other services	363,023	515,721	878,744	97,638	976,382
Member communications	431,009	-0-	431,009	47,890	478,899
Rent and depreciation	246,034	27,965	273,999	22,331	296,330
Office expense	276,441	46,714	323,155	35,906	359,061
Support - Hospital Assistance	662,647	-0-	662,647	-0-	662,647
Other	387,712	-0-	387,712	43,079	430,791
	\$ 7,984,487	\$ 10,372,488	\$ 18,356,975	\$ 1,519,877	\$ 19,876,852

	December 31, 2021				
	Program Services				
	Health Care Initiatives	Grants	Total	General & Administrative	Total Expenses
Salaries, wages, and benefits	\$ 4,142,087	\$ 897,457	\$ 5,039,544	\$ 539,766	\$ 5,579,310
Member meetings and education	268,876	6,852	275,728	29,909	305,637
External relations and development	202,517	2,584	205,101	22,851	227,952
Purchased member services	787,020	3,455,515	4,242,535	421,914	4,664,449
Purchased other services	448,688	219,484	668,172	74,241	742,413
Member communications	279,001	-0-	279,001	31,000	310,001
Rent and depreciation	226,255	4,408	230,663	20,538	251,201
Office expense	335,241	783	336,024	38,002	374,026
Support - Hospital Assistance	2,777,998	-0-	2,777,998	-0-	2,777,998
Other	159,990	-0-	159,990	87,438	247,428
	\$ 9,627,673	\$ 4,587,083	\$ 14,214,756	\$ 1,265,659	\$ 15,480,415



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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 Directors  
Indiana Hospital Association, Inc.  
Indianapolis, Indiana

Report on the Consolidated Financial Statements

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 consolidated financial statements of the Indiana Hospital Association, Inc. (the Association), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated July 13, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Association'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association'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 Association's consolidated 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 by 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. However, material weaknesses or significant deficiencies may exist that have not been identified.

Board of Directors  
Indiana Hospital Association, Inc.  
Indianapolis, Indiana

### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's consolidated 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 consolidated 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*.

### 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 entity'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 Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**Blue & Co., LLC**

Indianapolis, Indiana  
July 13, 2023



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**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
 AND ON INTERNAL CONTROL OVER COMPLIANCE AND SCHEDULE OF EXPENDITURES OF FEDERAL  
 AWARDS REQUIRED BY THE *UNIFORM GUIDANCE***

Board of Directors  
 Indiana Hospital Association, Inc.  
 Indianapolis, Indiana

Report on Compliance for Each Major Federal Program

*Opinion on Each Major Federal Program*

We have audited Indiana Hospital Association, Inc.'s (the Association) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Association's major federal programs for the year ended December 31, 2022. The Association's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Association complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

*Basis for Opinion on Each Major Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Our responsibilities under those standards and the *Uniform Guidance* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the Association's compliance with the compliance requirements referred to above.

*Responsibilities of Management for Compliance*

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Association's federal programs.

### *Auditor's Responsibility for the Audit of Compliance*

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Association's compliance based on our audit. 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, *Government Auditing Standards*, and the *Uniform Guidance* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the Association's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Association's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Association's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Board of Directors  
Indiana Hospital Association, Inc.  
Indianapolis, Indiana

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the *Uniform Guidance*

We have audited the consolidated financial statements of the Association as of and for the year ended December 31, 2022 and have issued our report thereon dated July 13, 2023, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by the *Uniform Guidance*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

**Blue & Co., LLC**

Indianapolis, Indiana  
July 13, 2023

**INDIANA HOSPITAL ASSOCIATION, INC.**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing #	Grant ID #	Expenditures
<b>Major program</b>			
U.S. Department of Health and Human Services (DHHS)			
Small Rural Hospital Improvement Grant Program - COVID-19 Testing and Mitigation	93.155	H3L42212	\$ 8,374,690
<b>Non-major programs</b>			
DHHS			
National Bioterrorism Hospital Preparedness Program Hospital Association - COVID-19 Preparedness and Response Activities	93.889	1U3REP200655-01-00	307,824
DHHS			
Small Rural Hospital Improvement Grant Program	93.301	H3HRH0003	574,145
DHHS			
State Rural Hospital Flexibility Program	93.241	U2WRH33300	239,966
DHHS			
National Initiative to Address COVID-19	93.391	NH750T000073	255,601
DHHS			
Indiana Rural Opioid Consortium - Implementation Grant	93.912	GA1RH33513-01-05	15,000
DHHS			
Indiana Statewide Perinatal Quality Collaboratives	93.946	1NU58DP007268-01-00	2,863
Total non-major programs			<u>1,395,399</u>
Total federal expenditures			<u>\$ 9,770,089</u>

See report on schedule of expenditures of federal awards on page 26 and notes to schedule of expenditures of federal awards.

# INDIANA HOSPITAL ASSOCIATION, INC.

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS DECEMBER 31, 2022

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### **1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (SEFA) for the year ended December 31, 2022 includes the federal grant activity of the Indiana Hospital Association, Inc. (the Association) and is presented on the accrual basis of accounting. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. The consolidated financial statement classifications may include other financial activity for reporting purposes. Therefore, some of the amounts presented in the SEFA may differ from amounts presented in, or used in the preparation of, the consolidated financial statements.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Association has elected not to use the 10% de minimis indirect cost rate as allowed under the *Uniform Guidance*.

### **3. SUB-RECIPIENT PASS THROUGH**

The Association did not pass through federal awards to sub-recipients during 2022.

### **4. FAIR MARKET VALUE OF DONATED PERSONAL PROTECTIVE EQUIPMENT (UNAUDITED)**

During 2022, the Association did not receive donated personal protective equipment from federal sources.

INDIANA HOSPITAL ASSOCIATION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2022

**Section I - Summary of Audit Results**

*Consolidated Financial Statements*

Type of auditor's report issued	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	_____ yes	<u> X </u> no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ yes	<u> X </u> none noted
Noncompliance material to financial statements noted?	_____ yes	<u> X </u> no

*Federal Awards*

Internal controls over major programs:		
Material weakness(es) identified?	_____ yes	<u> X </u> no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ yes	<u> X </u> none noted

Type of auditor's report issued on compliance for major programs:	Unmodified
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Any audit findings disclosed that are required to be reported as defined by Uniform Guidance [2 CFR section 200.516(a)]?	_____ yes	<u> X </u> no
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Identification of major program(s):

<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing #</u>
COVID-19 Testing and Mitigation	93.155

Dollar threshold used to distinguish between type A and B programs:	\$750,000
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Auditee qualified as low-risk auditee?	<u> X </u> yes	_____ no
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**Section II - Findings Related to Financial Statements Reported in Accordance with Government Auditing Standards**

No matters reported

**Section III - Findings and Questioned Costs Related to Federal Awards**

No matters reported

**Section IV - Summary Schedule of Prior Audit Findings**

No matters reported