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STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513

Fax: (317) 232-4711

Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

June 26, 2024

Board of Trustees  
Henry County Memorial Hospital  
d/b/a Henry Community Health  
Henry County, Indiana

We have reviewed the audit report of Henry County Memorial Hospital d/b/a Henry Community Health, which was opined upon by Blue & Co., LLC, Independent Public Accountants, for the period January 1, 2023 to December 31, 2023. Per the *Report of Independent Auditors* the financial statements included in the report present fairly the financial condition of Henry County Memorial Hospital d/b/a Henry Community Health as of December 31, 2023, 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



**FINANCIAL STATEMENTS**

**AND**

**SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2023 AND 2022**

*CPAs / ADVISORS*



**HENRY COMMUNITY HEALTH**

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DECEMBER 31, 2023 AND 2022

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Blue & Co., LLC / 500 N. Meridian Street, Suite 200 / Indianapolis, IN 46204  
main 317.633.4705 fax 317.633.4889 email blue@blueandco.com

## REPORT OF INDEPENDENT AUDITORS

Board of Trustees  
Henry Community Health  
New Castle, Indiana

### Report on the Audit of Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of Henry County Memorial Hospital d/b/a Henry Community Health (the Hospital), a component unit of Henry County, which comprise the statements of net position as of December 31, 2023 and 2022, and the related statements of operations and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which comprise the Hospital's financial statements as listed in the table of contents. We also audited the accompanying financial statements of HCMH Diversified Management Corporation (DMC), a blended component unit of the Hospital, which comprise the statement of net position as of December 31, 2023, and the related statement of operations and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Hospital as of December 31, 2023 and 2022, and its respective changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Henry County Hospital Foundation (the Foundation), a blended component unit of the Hospital, which statements reflect total assets of approximately \$78.6 million and \$69.6 million as of December 31, 2023 and 2022, respectively, and total operating revenues of approximately \$5.6 million and \$5.5 million, respectively, for the years then ended. Also, we did not audit the financial statements of HCMH Diversified Management Corporation (DMC), a blended component unit of the Hospital, which statements reflect total restated assets of approximately \$8.0 million as of December 31, 2022 and total operating revenues of approximately \$17.9 million for the year then ended. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included for the Foundation and DMC, is based solely on the reports of the other auditors.

Board of Trustees  
Henry Community Health  
New Castle, Indiana

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, 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 Hospital 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 described in Note 2 to the financial statements, the Hospital adopted Governmental Accounting Standards Board Statement No. 96 – *Subscription-Based Information Technology Arrangements* during 2023. Our opinion is not modified with respect to this matter.

### *Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### *Auditor's Responsibility 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 a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Board of Trustees  
Henry Community Health  
New Castle, Indiana

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

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

#### *Report on Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Board of Trustees  
Henry Community Health  
New Castle, Indiana

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hospital's basic financial statements. The supplementary information listed in the table of contents is presented for the purpose of additional analysis of the financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and it is not a required part of the 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 financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, which insofar as it relates to the Foundation (as of and for the years ended December 31, 2023 and 2022) and DMC (as of and for the year ended December 31, 2022), is based on the reports of other auditors, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2024 on our consideration of the Hospital'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 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 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 Hospital's internal control over financial reporting and compliance.

**Blue & Co., LLC**

Indianapolis, Indiana  
May 14, 2024

**REQUIRED SUPPLEMENTARY INFORMATION**

# HENRY COMMUNITY HEALTH

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

DECEMBER 31, 2023

(WITH COMPARATIVE TOTALS FOR 2022 AND 2021)

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Management's discussion and analysis of Henry Community Health's (the Hospital) financial performance provides an overview of the Hospital's financial activities for the fiscal year ended December 31, 2023. Please read it in conjunction with the Hospital's financial statements, which begin on page 5. As mentioned in Note 1, the financial statements include the Hospital, as well as Henry County Hospital Foundation, Inc. and HCMH Diversified Management Corporation, collectively referred to as the Hospital.

### USING THIS ANNUAL REPORT

This annual report consists of two parts—*management's discussion and analysis*, and the *financial statements*.

- In the "*management's discussion and analysis*" section of this report, management discusses various components of the annual report and provides an analysis of the current financial statement information.
- The "*financial statements*" section of this report includes a series of financial statements, which provide information about the activities of the Hospital as a whole. The Statements of Net Position reveal the assets, liabilities, and net position of the Hospital on December 31, 2023 and 2022 while the Statements of Operations and Changes in Net Position summarize the revenues and expenses, including nonoperating items for the years then ended. The Statements of Cash Flows summarize the change in cash and cash equivalents as a result of operating, investing, and financing activities during the year. The Notes to the Financial Statements disclose additional information addressed within the body of the financial statements.

### THE STATEMENT OF NET POSITION AND STATEMENT OF OPERATIONS AND CHANGES IN NET POSITION

One of the most important questions asked about the Hospital's finances is, "Is the Hospital as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Operations and Changes in Net Position report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

# HENRY COMMUNITY HEALTH

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 2022 AND 2021)

These two statements report the Hospital's net position and changes in it. You can think of the Hospital's net position – the difference between assets and liabilities - as one way to measure the Hospital's financial health, or financial position. Over time, increases or decreases in the Hospital's net position are one indicator of whether the financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Hospital's patient base and measures of the quality of service provided to the community, as well as local economic factors to assess the overall health of the Hospital.

### THE STATEMENT OF CASH FLOWS

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

### THE HOSPITAL'S NET POSITION

The Hospital's net position is the difference between its assets compared to its liabilities reported in the statements of net position on page 5. The Hospital's net position increased by approximately \$5.3 million or 3.3% from 2022 to 2023 and decreased by approximately \$7.4 million or 4.3% from 2021 to 2022 as you can see from Table 1.

Table 1: Statements of Net Position

	2023	Restated 2022	2023-2022 Change	Restated 2021
<b>Assets</b>				
Current assets	\$ 89,353,974	\$ 99,999,791	\$ (10,645,817)	\$ 110,093,605
Capital assets, net	72,443,237	73,498,288	(1,055,051)	77,308,444
Other investments and assets	84,586,525	65,562,220	19,024,305	71,293,091
Total assets	<u>\$ 246,383,736</u>	<u>\$ 239,060,299</u>	<u>\$ 7,323,437</u>	<u>\$ 258,695,140</u>
<b>Liabilities</b>				
Current liabilities	\$ 65,292,245	\$ 60,865,599	\$ 4,426,646	\$ 70,458,460
Long term SBITA liability, net of current portion	1,186,565	3,566,831	(2,380,266)	5,383,901
Long term debt, net of current portion	9,411,000	9,411,000	-0-	10,602,000
Other long term liabilities	1,591,208	1,652,711	(61,503)	1,286,151
Total liabilities	<u>\$ 77,481,018</u>	<u>\$ 75,496,141</u>	<u>\$ 1,984,877</u>	<u>\$ 87,730,512</u>
<b>Net Position</b>				
Net investment in capital assets	\$ 63,032,237	\$ 62,896,288	\$ 135,949	\$ 70,942,973
By donor - expendable - for capital acquisition	1,564,117	1,301,332	262,785	1,457,160
Unrestricted	104,306,364	99,366,538	4,939,826	98,564,495
Total net position	<u>\$ 168,902,718</u>	<u>\$ 163,564,158</u>	<u>\$ 5,338,560</u>	<u>\$ 170,964,628</u>

# HENRY COMMUNITY HEALTH

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 2022 AND 2021)

The following discussion includes changes from 2022 to 2023. The significant changes in the Hospital's assets included current assets, which decreased by approximately \$10.6 million, with decreased cash and money market deposit accounts. Current liabilities increased by approximately \$4.4 million. The overall increase in current liabilities was driven by increases in accounts payable and accrued expenses as well as increases in accrued wages and related liabilities. The net position increased due to gains from non-operating revenues related to investment income, which were partially offset by an operating loss in 2023.

The significant changes from 2021 to 2022 in the Hospital's assets included current assets, which decreased by approximately \$10.1 million, with decreased cash and money market deposit accounts. Current liabilities decreased by approximately \$9.6 million. Current liabilities decreased due to advances on Medicare payments received during 2020 in response to the Coronavirus (COVID-19) pandemic that were paid back during 2022, and due to timing of accounts payables and accrued expenses in long-term care operations. The net position decreased due to losses from non-operating expenses related to investment income, which was partially offset by an increase in operating revenues.

### OPERATING RESULTS AND CHANGES IN THE HOSPITAL'S NET POSITION AND CASH FLOWS

In 2023, the Hospital's operating revenues increased by approximately \$31.7 million as shown in Table 2. In 2022, the Hospital's operating revenues increased by approximately \$15.1 million.

Table 2: Operating Results and Changes in Net Position

	2023	Restated 2022	2023-2022 Change	Restated 2021
<b>Operating revenues</b>				
Net patient service revenues	\$ 395,097,061	\$ 364,403,255	\$ 30,693,806	\$ 344,139,292
Other operating revenues	6,691,218	5,684,055	1,007,163	10,835,962
Total operating revenues	401,788,279	370,087,310	31,700,969	354,975,254
<b>Operating expenses</b>				
Salaries and benefits	95,486,707	92,693,915	2,792,792	86,918,748
Medical supplies and drugs	36,537,850	32,966,691	3,571,159	31,959,386
Depreciation and amortization	11,074,101	10,513,715	560,386	9,802,159
Other operating expenses	261,049,732	230,710,865	30,338,867	226,728,072
Total operating expenses	404,148,390	366,885,186	37,263,204	355,408,365
Operating income (loss)	(2,360,111)	3,202,124	(5,562,235)	(433,111)
<b>Non-operating revenues (expenses)</b>				
Investment income	8,157,909	(9,005,295)	17,163,204	4,432,281
Other non-operating revenues and expenses, net	(459,238)	(1,597,299)	1,138,061	10,440,599
Total non-operating revenues (expenses)	7,698,671	(10,602,594)	18,301,265	14,872,880
Change in net position	5,338,560	(7,400,470)	12,739,030	14,439,769
<b>Net position beginning of year</b>	163,564,158	170,964,628	(7,400,470)	156,524,859
<b>Net position end of year - restated</b>	\$ 168,902,718	\$ 163,564,158	\$ 5,338,560	\$ 170,964,628

# HENRY COMMUNITY HEALTH

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
DECEMBER 31, 2023  
(WITH COMPARATIVE TOTALS FOR 2022 AND 2021)

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## OPERATING INCOME (LOSS)

During 2023, expenses increased at a greater rate compared to revenues due to necessary purchased services increasing approximately \$17.4 million, rent increasing approximately \$4.2 million and other expenses increasing approximately \$7.0 million. During 2022, revenues increased at a greater rate compared to expenses due to growth in the Hospital and long-term care operations.

## NONOPERATING REVENUES (EXPENSES)

Nonoperating revenues (expenses) were primarily driven by investment income, with a gain of \$8.2 million in 2023 and a loss of \$9.0 million in 2022.

Table 3: Hospital Cash Flows

	2023	2022	2023-2022 Change	2021
<b>Cash flows from activities</b>				
Operating	\$ 7,142,452	\$ 4,726,725	\$ 2,415,727	\$ 796,122
Non-capital financing	-0-	-0-	-0-	10,831,907
Capital and related financing	(14,107,073)	(10,159,897)	(3,947,176)	(9,061,929)
Investing	(3,018,723)	(5,625,128)	2,606,405	(8,870,456)
	<u>\$ (9,983,344)</u>	<u>\$ (11,058,300)</u>	<u>\$ 1,074,956</u>	<u>\$ (6,304,356)</u>

Total cash flows from operations were approximately \$7.1 million in 2023 and approximately \$4.7 million generated in 2022. Cash flows used in capital and related financing activities relate primarily to the purchase of property and equipment, principal payments on long-term debt, and payment of SBITA liabilities. Cash flows used in investing activities relate primarily to investment income (loss) and the purchase of investments.

# HENRY COMMUNITY HEALTH

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 2022 AND 2021)

### CAPITAL ASSETS

During 2023, the Hospital's net capital assets have decreased by approximately \$1.1 million, compared to a decrease of approximately \$3.8 in 2022. The change in capital assets is outlined in the following table:

	Restated		2023-2022	Restated
	2023	2022	Change	2021
Land and land improvements	\$ 6,896,408	\$ 6,887,991	\$ 8,417	\$ 6,911,104
Buildings and improvements	84,618,851	79,966,378	4,652,473	77,678,181
Equipment	77,281,193	75,669,890	1,611,303	74,342,826
Construction in progress	1,276,418	1,292,864	(16,446)	1,787,978
Total depreciable capital assets	170,072,870	163,817,123	6,255,747	160,720,089
Less accumulated depreciation	101,402,251	96,672,532	4,729,719	91,440,073
Total depreciable capital assets, net	68,670,619	67,144,591	1,526,028	69,280,016
Intangible right-to-use assets:				
Leased equipment	-0-	-0-	-0-	623,135
SBITA asset	16,338,877	16,338,877	-0-	15,372,408
Total intangible right-to-use assets:	16,338,877	16,338,877	-0-	15,995,543
Less accumulated amortization				
Leased equipment	-0-	-0-	-0-	(311,568)
SBITA asset	(12,566,259)	(9,985,180)	(2,581,079)	(7,655,547)
Total intangible right-to-use assets, net	3,772,618	6,353,697	(2,581,079)	8,028,428
Capital assets, net	\$ 72,443,237	\$ 73,498,288	\$ (1,055,051)	\$ 77,308,444

Net capital assets have decreased from 2022 compared to 2023 due to current year depreciation outpacing capital additions in the current year. Net capital assets have decreased from 2021 compared to 2022 due to depreciation outpacing capital additions. The Hospital continually evaluates facilities and equipment to ensure that everything is upgraded, as necessary. See the notes to the financial statements for additional information about capital assets.

### DEBT

The Hospital has the following debt outstanding, which approximates \$9.4 million and \$10.6 million as of December 31, 2023 and 2022, respectively:

- 2015 tax-exempt revenue bonds

More detailed information about the Hospital's long-term debt is presented in the notes to the financial statements.

# HENRY COMMUNITY HEALTH

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

DECEMBER 31, 2023

(WITH COMPARATIVE TOTALS FOR 2022 AND 2021)

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### BAD DEBT AND CHARITY CARE

Bad debt expense and charity care write-offs remained consistent between 2023 and 2022. Bad debt expense and charity care write-offs increased in 2022 compared to 2021 experience due to payor mix shifts.

	<u>Bad Debt</u>	<u>Charity</u>	<u>Total</u>	<u>% Chg</u>
2020	\$8,706,480	\$1,262,734	\$9,969,214	
2021	\$7,272,216	\$1,218,110	\$8,490,326	-15%
2022	\$8,999,741	\$1,266,622	\$10,266,363	21%
2023	\$8,839,778	\$1,378,578	\$10,218,356	0%

### FINANCIAL HIGHLIGHTS

Effective January 1, 2023, the Hospital adopted Governmental Accounting Standards Board Statement No. 96 – *Subscription-Based Information Technology Arrangements* (GASB No. 96), which requires certain subscription-based arrangements related to information technology and software to be recorded in the statements of net position. This standard required retrospective adoption for years presented.

### ECONOMIC OUTLOOK

Management believes that the healthcare industry and the Hospital's operating margins will continue to be under pressure as a result of changes in payor mix and growth in operating expenses that exceed any increases in contractually arranged and legally established payments received for services provided. Another factor that poses a challenge to management is the increasing competitive market for the delivery of healthcare services. This competitive market challenge will potentially be offset by the expected growth in the service area. The Hospital will still be faced with the challenge of providing quality services in an increasingly competitive environment, while at the same time managing costs. The Hospital will be affected by the increases in labor costs due to the competition for healthcare workers. The Hospital is also affected by the uncertainty of federal healthcare reform.

### CONTACTING THE HOSPITAL'S FINANCIAL MANAGEMENT

This financial report is designed to provide fiscal reporting to patients, county residents, suppliers, and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Controller at Henry Community Health, 1000 North 16<sup>th</sup> Street, New Castle, Indiana 47362.

# HENRY COMMUNITY HEALTH

## STATEMENTS OF NET POSITION DECEMBER 31, 2023 AND 2022

	Restated	
ASSETS	2023	2022
<b>Current assets</b>		
Cash and money market deposit accounts	\$ 34,988,310	\$ 51,516,431
Patient accounts receivable, net of estimated allowance for uncollectible accounts of approximately \$5,400,000 in 2023 and \$6,800,000 in 2022	44,476,349	37,753,438
Supplies and other current assets	8,589,621	9,629,438
Estimated third-party settlements	1,299,694	-0-
Current portion of assets whose use is limited	-0-	1,100,484
Total current assets	89,353,974	99,999,791
<b>Investments</b>	45,710,792	40,353,725
<b>Assets whose use is limited</b>		
Internally designated	30,665,431	18,437,341
By donor - expendable - for capital acquisition	1,564,117	1,301,332
	32,229,548	19,738,673
Less current portion	-0-	1,100,484
Total assets whose use is limited	32,229,548	18,638,189
<b>Capital assets, net</b>	72,443,237	73,498,288
<b>Other assets</b>	6,646,185	6,570,306
Total assets	\$ 246,383,736	\$ 239,060,299

### LIABILITIES AND NET POSITION

	2023	2022
<b>Current liabilities</b>		
Current portion of long-term debt	\$ -0-	\$ 1,191,000
Current portion of SBITA liability	2,380,266	2,581,079
Accounts payable and accrued expenses	53,550,798	48,677,147
Accrued wages and related liabilities	9,361,181	7,712,625
Estimated third-party settlements	-0-	703,748
Total current liabilities	65,292,245	60,865,599
<b>Other long-term liabilities</b>	1,591,208	1,652,711
<b>Long-term SBITA liability, net of current portion</b>	1,186,565	3,566,831
<b>Long-term debt, net of current portion</b>	9,411,000	9,411,000
Total liabilities	77,481,018	75,496,141
<b>Net position</b>		
Unrestricted	104,306,364	99,366,538
Net investment in capital assets	63,032,237	62,896,288
Restricted		
By donor - expendable - for capital acquisition	1,564,117	1,301,332
Total net position	168,902,718	163,564,158
Total liabilities and net position	\$ 246,383,736	\$ 239,060,299

See accompanying notes to financial statements.

## HENRY COMMUNITY HEALTH

### STATEMENTS OF OPERATIONS AND CHANGES IN NET POSITION YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	Restated 2022
<b>Operating revenue</b>		
Net patient service revenue	\$ 395,097,061	\$ 364,403,255
Other revenue	6,691,218	5,684,055
Total revenue	401,788,279	370,087,310
<b>Operating expenses</b>		
Salaries and benefits	95,486,707	92,693,915
Medical professional fees	1,137,000	1,376,337
Purchased services	167,164,612	149,744,446
Medical supplies and drugs	36,537,850	32,966,691
Other supplies	14,181,331	13,557,297
Depreciation and amortization	11,074,101	10,513,715
Utilities	6,608,113	6,478,004
Rent	25,270,075	21,032,559
Hospital assessment fee	6,258,122	5,082,681
Other	40,430,479	33,439,541
Total expenses	404,148,390	366,885,186
Operating income (loss)	(2,360,111)	3,202,124
<b>Nonoperating revenues (expenses)</b>		
Investment income (loss)	8,157,909	(9,005,295)
Interest expense	(661,650)	(545,351)
Other nonoperating	202,412	(1,051,948)
Total nonoperating revenues (expenses)	7,698,671	(10,602,594)
Change in net position	5,338,560	(7,400,470)
<b>Net position</b>		
Beginning of year - restated	163,564,158	170,964,628
End of year - restated	\$ 168,902,718	\$ 163,564,158

See accompanying notes to financial statements.

# HENRY COMMUNITY HEALTH

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	Restated 2022
<b>Cash flows from operating activities</b>		
Cash received from patients and third party payors	\$ 380,112,586	\$ 354,402,885
Cash paid to employees for wages and benefits	(93,838,151)	(93,424,725)
Cash paid to vendors for goods and services	(287,656,114)	(261,024,684)
Other operating receipts, net	8,524,131	4,773,249
Net cash flows from operating activities	7,142,452	4,726,725
 <b>Cash flows from capital and related financing activities</b>		
Acquisition and construction of capital assets	(9,683,167)	(7,124,078)
Loss on disposal of property and equipment	9,823	1,432,653
Interest on long-term debt	(467,007)	(273,982)
Interest on SBITA liabilities	(194,643)	(271,369)
Payments on intangible right-to use lease liabilities	-0-	(319,339)
Principal payments on long-term debt	(1,191,000)	(1,155,000)
Principal payments on SBITA liabilities	(2,581,079)	(2,448,782)
Net cash flows from capital and related financing activities	(14,107,073)	(10,159,897)
 <b>Cash flows from investing activities</b>		
Investment income and other non-operating	8,360,321	(10,057,243)
Change in other assets, net	(75,879)	(95,868)
Purchases of investments in assets whose use is limited - internally designated and investments	(12,814,746)	(1,271,337)
Proceeds from sale of investments in assets whose use is limited - internally designated and investments	1,774,366	5,643,492
Change in assets whose use is limited - restricted by donor, net	(262,785)	155,828
Net cash flows from investing activities	(3,018,723)	(5,625,128)
 Net change in cash and money market deposit accounts	(9,983,344)	(11,058,300)
 <b>Cash and money market deposit accounts</b>		
Beginning of year	53,592,077	64,650,377
End of year	\$ 43,608,733	\$ 53,592,077

See accompanying notes to financial statements.

# HENRY COMMUNITY HEALTH

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	Restated 2022
<b>Reconciliation of operating income (loss) to net cash flows from operating activities</b>		
Operating income (loss)	\$ (2,360,111)	\$ 3,202,124
Adjustment to reconcile operating income (loss) to net cash flows from operating activities		
Depreciation and amortization	11,074,101	10,513,715
Bad debts	8,839,778	8,999,741
Changes in assets and liabilities		
Patient accounts receivable	(15,562,689)	(8,833,679)
Supplies and other current assets	1,039,817	168,208
Accounts payable and accrued expenses	4,527,945	(3,875,383)
Accrued salaries and related liabilities	1,648,556	(730,810)
Other long-term liabilities	(61,503)	366,560
Estimated third-party settlements	(2,003,442)	(5,083,751)
Net cash flows from operating activities	\$ 7,142,452	\$ 4,726,725
 <b>Reconciliation of cash and money market deposit accounts to the statements of net position</b>		
Cash and money market deposit accounts		
In current assets	\$ 34,988,310	\$ 51,516,431
In investments	8,620,423	2,075,646
Total cash and money market deposit accounts	\$ 43,608,733	\$ 53,592,077
 <b>Supplemental cash flows information</b>		
Property acquired through SBITA obligation	\$ -0-	966,468
Property included in accounts payable	\$ 345,706	\$ 45,666

See accompanying notes to financial statements.

# HENRY COMMUNITY HEALTH

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

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### 1. SIGNIFICANT ACCOUNTING POLICIES

#### Organization and Reporting Entity

Henry County Memorial Hospital (HCMH) d/b/a Henry Community Health (the Hospital) is a county owned facility and operates under the Indiana County Hospital Law, Indiana Code 16-22. The Hospital provides short-term inpatient and outpatient healthcare.

The Board of County Commissioners of Henry County appoints the Governing Board of the Hospital (Board) and a financial benefit/burden relationship exists between Henry County and the Hospital. For these reasons, the Hospital is considered a component unit of Henry County.

On June 7, 1976, the Board of County Commissioners of Henry County, upon written request of the Henry County Hospital Board of Trustees created the Henry County Hospital Association (the Association). The Association was created pursuant to the provisions of Indiana Code 16-22-6 for the exclusive purpose of financing and constructing facilities for the Hospital. The Association has no assets, no liabilities and conducts no operations.

Pursuant to the provision of long-term care, the Hospital owns the operations of certain 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 and legal responsibility 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 and the Managers, to lease the facilities managed by the Managers. Concurrently, the Hospital entered into agreements with the Managers to manage the above leased facilities. 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 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.

#### Blended Component Units

The component units discussed below are included in the Hospital's reporting entity because of the significance of their operational or financial relationships with the Hospital.

# HENRY COMMUNITY HEALTH

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

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Henry County Hospital Foundation, Inc. (the Foundation) is a significant component unit of the Hospital. The Hospital appoints a voting majority of the Foundation's Board of Directors and a financial benefit/burden relationship exists between the Hospital and the Foundation. Although it is legally separate from the Hospital, the Foundation is reported as if it were a part of the Hospital because it provides services entirely or almost entirely to the Hospital.

The activities of the Foundation may include capital improvements, educational programs, medical related research, and initial capital for experimental health services related to the principal purpose of the Hospital. The Foundation also manages investments and rental property, provides equipment, grants scholarships for health careers, conducts physician recruitment and other medical programs as directed under the terms of a contract with the Hospital. The Foundation's separate audited financial statements can be obtained by contacting the Foundation.

HCMH Diversified Management Corporation (DMC) is a significant component unit of the Hospital. The Hospital is the sole shareholder and appoints DMC's Board of Directors and is able to impose its will. Although it is legally separate from the Hospital, DMC is reported as if it were a part of the Hospital because the two Boards of Directors/Trustees are substantially the same.

DMC provides pharmacy services to the surrounding communities. DMC's separate audited financial statements can be obtained by directly contacting DMC.

DMC owns New Castle Clinic, Inc. (the Clinic), which operates a physician group practice. DMC's results within these financials include those of the Clinic for the years ended December 31, 2023 and 2022.

Separate financial statements related to the individual component units may be obtained by contacting Hospital management.

The Hospital, Foundation and DMC are hereby collectively referred to as the Hospital. All intercompany accounts and transactions have been eliminated.

### 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.

### Use of Estimates

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

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# HENRY COMMUNITY HEALTH

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

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### Cash and Money Market Deposit Accounts

Cash and money market deposit accounts include all cash held in checking, savings, and money market deposit accounts available for operating purposes with original maturity dates of 90 days or less. The Hospital maintains its cash in accounts, which at times may exceed federally insured limits. The Hospital has not experienced any losses in such accounts. The Hospital believes that it is not exposed to any significant credit risk on cash and money market deposit accounts.

### Patient Accounts Receivable, Net and Net Patient Service Revenue

Patient service revenue and patient accounts receivable are recorded at the net realizable amounts based on established charges when the patient service is rendered. The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, discounted charges and per diem payments. Charges for services to patients are primarily based on the patients' ability to pay.

Patient accounts receivable are reduced by an allowance for uncollectible accounts based on the Hospital's evaluation of its major payor sources of revenue, the aging of the accounts, historical losses, current economic conditions, and other factors unique to its service area and the healthcare industry. Management regularly reviews data about the major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for bad debts, if necessary. For receivables associated with self-pay payments, the Hospital 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 uncollectible accounts.

At the Hospital'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 Medicare program cost reports have been audited through December 31, 2020 with immaterial differences reflected as deductions from revenue in 2023 and 2022. Amounts from unresolved cost reports through 2023 are reflected in estimated third-party payor settlements on the statements of net position. The Hospital has recorded a liability in estimated third-party payor settlements of approximately \$2,021,000 and \$4,021,000 at December 31, 2023 and 2022, respectively, related to a chargemaster audit by a commercial payor. The estimated liability reflects the difference between interim reimbursement and reimbursement as determined by the chargemaster audit. These liabilities are partially offset by estimated third party settlement receivables on the statements of net position.

# HENRY COMMUNITY HEALTH

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

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Accounts receivable for patients, insurance companies, and governmental agencies are based on gross charges net of an allowance for contractual adjustments. The allowance for contractual adjustments is based on expected payment rates from payors based on current reimbursement methodologies. In addition, management estimates an allowance for uncollectible patient accounts receivable based on an evaluation of historical losses, current economic conditions, and other factors unique to the Hospital's patient base.

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.

### Supplies and Other Current Assets

Supplies and other current assets consist primarily of drug and medical supply inventories, prepaid expenses, other reimbursement receivables related to long-term care services and various other current items. These assets are classified as current as they are expected to be utilized within the next fiscal year. Supplies and other current assets consist of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Drug and medical supply inventories	\$ 1,820,242	\$ 1,917,541
Prepaid expenses	2,865,308	2,218,216
Receivables related to long-term care	494,285	4,433,648
Other	3,409,786	1,060,033
	<u>\$ 8,589,621</u>	<u>\$ 9,629,438</u>

### Inventories

Pharmaceutical inventories are valued at the lower of cost or market with cost being determined on the first-in, first-out (FIFO) method while medical and all other supplies are priced using the last-in, first-out (LIFO) method.

### Assets Whose Use Is Limited and Investments

Assets whose use is limited and investments are stated at fair value in the financial statements. These assets include investments internally designated by the Hospital Board for acquisition of property and equipment and debt service and donor restricted funds. These investments consist primarily of money market mutual funds, US government securities, mutual funds, and common stocks. Investment income is reported as nonoperating income in the statements of operations and changes in net position.

# HENRY COMMUNITY HEALTH

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

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### Capital Assets

Capital assets such as property and equipment are stated at cost and include expenditures for new additions and other costs added to existing facilities, which exceed \$1,000 and meet certain useful life thresholds. Contributed capital assets are reported at their estimated fair market value at the time of their donation. Maintenance, repairs, and minor renewals are expensed as incurred.

All capital assets, other than land, SBITAs, and intangible right-to-use assets, are depreciated using the straight-line method of depreciation using these asset lives:

Description	Range of Useful Lives
Land improvements	5 - 30 years
Buildings and fixed equipment	3 - 50 years
Major movable equipment	3 - 20 years

Intangible right-of use assets and SBITA assets are recognized on the lease commencement date in an amount that represents the present value of the future lease payments over the lease term. Intangible right-to-use assets are amortized over the term of the current lease.

### Other Assets

Other assets consist primarily of the value of the split dollar life insurance policy on a key employee and investments in affiliates. See notes 12 and 16 for further information.

### Investments in Affiliates

The Hospital has equity interests in joint ventures. These investments are recorded on the equity and cost methods of accounting in the Hospital's financial statements. These balances are included within other assets on the statements of net position. See note 16 for further information.

### Compensated Absences

Regular employees of the Hospital earn paid days off (PDO) at rates of twenty-three days to thirty-nine days per year, based on the length of continuous employment and regular hours worked. PDO is adjusted proportionately to hours worked for employees working less than full time. No limit exists on the amount of PDO that may be accumulated. Accrued PDO is paid to employees who resign, giving a two-week notice or in the event of death. All employees may elect to be paid for PDO accumulated in excess of ten days. This option is available twice during the calendar year. The Hospital tracks the PDO accrual computed on the hourly rate and PDO balance per employee, and the financial statements recognize this liability. Accumulated PDO is reported as a current liability in the approximate amount of \$3,133,000 and \$3,871,000 for 2023 and 2022, respectively, and is included within accrued wages and related liabilities in the statements of net position.

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# HENRY COMMUNITY HEALTH

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

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### Other Long-Term Liabilities

Other long-term liabilities consist of the deferred liability for the salary continuation plan for a key employee that is due in over one year.

### Net Position

Net position of the Hospital is classified in various components. Net position - net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted net position consists of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors, or donors external to the Hospital, including amounts deposited with trustees as required by revenue bond indentures. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets, or restricted net position.

### Restricted Resources

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

### Grants and Contributions

From time to time, the Hospital 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.

### Hospital Assessment Fee (HAF) Program

The purpose of the HAF Program is to fund the state share of enhanced Medicaid payments and Medicaid Disproportionate Share payments for Indiana inpatient providers. Previously, the state share was funded by governmental entities through intergovernmental transfers. The Medicaid enhanced payments relate to both fee for service and managed care claims. The Medicaid enhanced payments are designed to follow the patients and result in increased Medicaid rates.

During 2023 and 2022, the Hospital recognized HAF Program expense of approximately \$6,260,000 and \$5,080,000, respectively, which resulted in increased Medicaid reimbursement.

# HENRY COMMUNITY HEALTH

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

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### Operating Revenues and Expenses

The Hospital's statement of operations and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing healthcare services—the Hospital's principal activity. Nonoperating revenues include contributions received, investment income, and other nonoperating activities. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs.

### Risk Management

The Hospital 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; medical malpractice; 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.

### Federal or State Income Taxes

HCMH is a governmental instrumentality organized under Title 16, Article 22, of the Indiana statutes. HCMH is generally exempt from federal income tax under Section 115 of the Internal Revenue Code of 1986 as a not-for-profit organization under Section 501(c)(3). As a governmental entity, HCMH is not required to file Federal Form 990 – Return of Organization Exempt from Income Tax, which is an informational return only.

The Foundation is organized as a not-for-profit corporation under Section 501(c)(3) of the United States Internal Revenue Code. As such, the Foundation is generally exempt from income taxes. However, the Foundation is required to file Federal Form 990 – Return of Organization Exempt from Income Tax, which is an informational return only. The Foundation has filed its federal and state income tax returns for periods through December 31, 2022. 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).

DMC is a for-profit organization incorporated in 1985 and the sole shareholder is HCMH. DMC has filed its federal and state income tax returns for periods through December 31, 2022. These income tax returns are generally open to examination by 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).

# HENRY COMMUNITY HEALTH

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

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DMC has federal and state income tax net operating loss carry forwards to reduce future taxable income as of December 31, 2023, which are unknown as of the audit report date. DMC has federal net operating loss carry forwards to reduce future taxable income of approximately \$82,160,000, and a similar amount for state income taxes as of December 31, 2022. Including valuation allowances, DMC has a net deferred tax asset of \$-0- for 2023 and 2022. These federal and state carry forwards begin to expire in 2023. The valuation allowance is established to reduce the deferred tax asset to the amount expected to be realized when it is more likely than not that all or some portion of the deferred tax asset will not be realized.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by HCMH, Foundation, and DMC and recognize a tax liability if these organizations 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 these organizations, and has concluded that as of December 31, 2023 and 2022, 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. The Foundation and DMC are subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

### Charity Care

The Hospital 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 Hospital does not collect amounts deemed to be charity care, they are not reported as revenue. The Hospital maintains records to identify and monitor the level of the charity care it provides. These records include the amount of services and supplies furnished under its charity care policy. The charity care charges provided during 2023 and 2022 were approximately \$1,379,000 and \$1,267,000, respectively.

Of the Hospital's total expenses reported, an estimated \$797,000 and \$706,000 arose from providing services to charity patients during the years ended December 31, 2023 and December 31, 2022, respectively.

The estimated costs of providing charity services are based on a calculation, which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of costs to charges is calculated based on the Hospital's total expenses (including interest expense) divided by gross patient service revenue.

### Litigation

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

# HENRY COMMUNITY HEALTH

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

### Reclassifications

Certain amounts from 2022 have been reclassified in order to conform to the 2023 presentation. There were no changes to previously reported net position as a result of these reclassifications.

### Subsequent Events

The Hospital evaluates events or transactions occurring subsequent to the statement of net position date for recognition and disclosure in the accompanying financial statements through the date the financial statements were available to be issued, which is May 14, 2024.

## 2. CHANGE IN ACCOUNTING PRINCIPLE

In 2023, the Hospital implemented GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements* (SBITAs) (GASB 96), which requires SBITAs that have a maximum possible term greater than 12 months to be recorded in the statements of net position. Previously, SBITAs were not recorded in the statement of net position. The following table outlines the prior period adjustments necessary to implement GASB 96.

<b>Statement of Net Position</b>	As previously stated December 31, 2022	Adjustment	As restated December 31, 2022
Net position	\$ (163,577,401)	\$ 13,243	\$ (163,564,158)
Capital assets, net	67,144,592	6,353,696	73,498,288
Supplies and other current assets	9,848,467	(219,029)	9,629,438
Current portion of SBITA liability	-0-	(2,581,079)	(2,581,079)
Noncurrent portion of SBITA liability	\$ -0-	\$ (3,566,831)	\$ (3,566,831)
<b>Statement of Operations and Changes in Net Position</b>	As previously stated December 31, 2022	Adjustment	As restated December 31, 2022
Purchased services	\$ 151,953,610	\$ (2,209,164)	\$ 149,744,446
Depreciation and amortization	8,184,082	2,329,633	10,513,715
Other	33,818,136	(378,595)	33,439,541
Operating income	2,943,998	258,126	3,202,124
Interest expense	\$ 273,982	271,369	\$ 545,351
Net decrease in 2022 change in net position		<u>\$ 13,243</u>	
<b>Statement of Cash Flows</b>	As previously stated December 31, 2022	Adjustment	As restated December 31, 2022
<b>Operating activities (direct method)</b>			
Cash paid to vendors for goods and services	\$ (263,744,835)	\$ 2,720,151	\$ (261,024,684)
Interest on SBITA liabilities	-0-	(271,369)	(271,369)
Principal payments on SBITA liabilities	-0-	(2,448,782)	(2,448,782)
<b>Operating activities (indirect method)</b>			
Operating income	2,943,998	258,126	3,202,124
Depreciation and amortization	8,184,082	2,329,633	10,513,715
Supplies and other current assets	35,816	132,392	168,208
Net cash flows from operating activities	\$ 2,006,574	\$ 2,720,151	\$ 4,726,725

# HENRY COMMUNITY HEALTH

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

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### 3. ACCOUNTS RECEIVABLE AND PAYABLE

Patient accounts receivable and accounts payable (including accrued expenses) reported as current assets and liabilities by the Hospital on December 31 are as follows:

	<u>2023</u>	<u>2022</u>
Patient accounts receivable		
Receivable from patients and their insurance carriers	\$ 40,303,655	\$ 37,336,960
Receivable from Medicare	32,780,419	32,289,648
Receivable from Medicaid	20,846,806	15,016,367
Total patient accounts receivable	93,930,880	84,642,975
Less contractual allowances	(44,014,372)	(40,115,222)
Less allowances for uncollectible accounts	(5,440,159)	(6,774,315)
Patient accounts receivable, net	<u>\$ 44,476,349</u>	<u>\$ 37,753,438</u>
Accounts payable and accrued expenses		
Payable to employees (including payroll taxes)	\$ 8,218,184	\$ 6,588,134
Payable to suppliers and management companies	53,550,798	48,677,147
Accrued employee health benefit claims	1,142,997	1,124,491
Total accounts payable and accrued expenses	<u>\$ 62,911,979</u>	<u>\$ 56,389,772</u>

### 4. ASSETS WHOSE USE IS LIMITED

Assets that are required for obligations classified as current liabilities are reported in current assets. The composition of assets whose use is limited on December 31 is as follows:

	<u>2023</u>	<u>2022</u>
Internally designated		
Funded depreciation		
Investments	\$ 29,582,118	\$ 18,057,691
Money market mutual funds	1,083,313	379,650
Donor restricted assets		
Investments	1,564,117	1,301,332
Total assets whose use is limited	<u>\$ 32,229,548</u>	<u>\$ 19,738,673</u>

### 5. DEPOSITS AND INVESTMENTS

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

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# HENRY COMMUNITY HEALTH

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

Net realized gains and losses on security transactions are determined on the specific identification cost basis. Funded depreciation investments consist of cash equivalents, mutual funds, and common stocks.

The Hospital's investments generally are reported at fair value, as discussed in Note 1. As of December 31, 2023 and 2022, the Hospital had the following investments and maturities, all of which were held in the Hospital's name by custodial banks that are agents of the Hospital.

December 31, 2023					
	Carrying Amount	Investment Maturities (in years)			
		Less than 1	1-5	6-10	More than 10
Mutual funds	\$ 64,699,111	\$ 64,699,111	\$ -0-	\$ -0-	\$ -0-
Common stocks	1,540,113	1,540,113	-0-	-0-	-0-
US government securities	1,997,380	1,997,380	-0-	-0-	-0-
Money market mutual funds	1,083,313	1,083,313	-0-	-0-	-0-
	<u>\$ 69,319,917</u>	<u>\$ 69,319,917</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

  

December 31, 2022					
	Carrying Amount	Investment Maturities (in years)			
		Less than 1	1-5	6-10	More than 10
Mutual funds	\$ 57,564,805	\$ 57,564,805	\$ -0-	\$ -0-	\$ -0-
Common stocks	72,297	72,297	-0-	-0-	-0-
Money market mutual funds	379,650	379,650	-0-	-0-	-0-
	<u>\$ 58,016,752</u>	<u>\$ 58,016,752</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Interest rate risk – The Hospital does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

Credit risk – The Hospital's investment policy authorizes it to invest in interest bearing deposit accounts, passbook savings accounts, certificates of deposit, money market deposit accounts, mutual funds, pooled fund investments, securities backed by the full faith and credit of the United States Treasury and repurchase agreements. The policy also requires that repurchase agreements be fully collateralized by U.S. Government or U.S. Government Agency obligations.

Concentration of credit risk – The Hospital places no limit on the amount it may invest in any one issuer. The Hospital maintains its investments, which at times may exceed federally insured limits. The Hospital has not experienced any losses in such accounts. The Hospital believes that it is not exposed to any significant credit risk on investments.

# HENRY COMMUNITY HEALTH

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

Deposits and investments consist of the following as of December 31, 2023 and 2022:

	2023	2022
Carrying amount		
Deposits	\$ 43,608,733	\$ 53,592,077
Investments	69,319,917	58,016,752
	<u>\$ 112,928,650</u>	<u>\$ 111,608,829</u>
Included in the statements of net position captions		
Cash and money market deposit accounts	\$ 34,988,310	\$ 51,516,431
Investments	45,710,792	40,353,725
Assets whose use is limited		
Internally designated	30,665,431	18,437,341
By donor - expendable - for capital acquisition	1,564,117	1,301,332
	<u>\$ 112,928,650</u>	<u>\$ 111,608,829</u>

Investment income for 2023 and 2022 is summarized as follows:

	2023	2022
Unrealized gains (losses)	\$ 6,519,528	\$ (9,119,282)
Realized losses	(1,063,997)	(1,213,539)
Interest and dividends	2,702,378	1,327,526
Total investment income	<u>\$ 8,157,909</u>	<u>\$ (9,005,295)</u>

## 6. 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 Hospital 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.

# HENRY COMMUNITY HEALTH

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

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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 as of December 31, 2023 and 2022:

- *Common stocks*: Valued at the closing price reported on the active market on which the individual securities are traded.
- *Mutual funds*: Valued at the daily closing price as reported by the fund. Mutual funds held by the Hospital are open-end funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Hospital are deemed to be actively traded.
- *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.
- *US government securities*: Valued using pricing models maximizing the use of observable inputs for similar securities.

# HENRY COMMUNITY HEALTH

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

Assets measured at fair value on a recurring basis as of December 31, 2023 and 2022 are as follows:

	December 31, 2023			
	Total	Level 1	Level 2	Level 3
<b>Assets</b>				
Investments & assets whose use is limited				
Mutual funds:				
Diversified emerging markets	\$ 1,064,152	\$ 1,064,152	\$ -0-	\$ -0-
High yield bond	795,805	795,805	-0-	-0-
Intermediate-term bond	7,398,321	7,398,321	-0-	-0-
Large blend	3,581,560	3,581,560	-0-	-0-
Large growth	21,357,647	21,357,647	-0-	-0-
Mid growth	329,910	329,910	-0-	-0-
Multisector bond	4,167,963	4,167,963	-0-	-0-
Small blend	3,728,543	3,728,543	-0-	-0-
Small value	4,552,749	4,552,749	-0-	-0-
Other	17,722,461	17,722,461	-0-	-0-
Money market mutual funds	1,083,313	-0-	1,083,313	-0-
US government securities	1,997,380	1,997,380	-0-	-0-
Common stocks:				
Services	5,095	5,095	-0-	-0-
Technology	16,428	16,428	-0-	-0-
Other	1,518,590	1,518,590	-0-	-0-
Total	69,319,917	<u>\$ 68,236,604</u>	<u>\$ 1,083,313</u>	<u>\$ -0-</u>
Money market deposit accounts	8,620,423			
Total investments & assets whose use is limited	<u>\$ 77,940,340</u>			
December 31, 2022				
	Total	Level 1	Level 2	Level 3
<b>Assets</b>				
Investments & assets whose use is limited				
Mutual funds:				
Diversified emerging markets	\$ 731,938	\$ 731,938	\$ -0-	\$ -0-
Foreign large blend	1,239,010	1,239,010	-0-	-0-
High yield bond	708,124	708,124	-0-	-0-
Intermediate-term bond	5,881,095	5,881,095	-0-	-0-
Large blend	2,946,280	2,946,280	-0-	-0-
Large growth	15,082,302	15,082,302	-0-	-0-
Mid growth	312,892	312,892	-0-	-0-
Multisector bond	3,877,844	3,877,844	-0-	-0-
Small blend	2,554,885	2,554,885	-0-	-0-
Small value	3,142,419	3,142,419	-0-	-0-
Other	21,088,016	21,088,016	-0-	-0-
Money market mutual funds	379,650	-0-	379,650	-0-
Common stocks:				
Services	4,443	4,443	-0-	-0-
Technology	14,157	14,157	-0-	-0-
Other	53,697	53,697	-0-	-0-
Total	58,016,752	<u>\$ 57,637,102</u>	<u>\$ 379,650</u>	<u>\$ -0-</u>
Money market deposit accounts	2,075,646			
Total investments & assets whose use is limited	<u>\$ 60,092,398</u>			

The Hospital's policy is to recognize transfers between levels as of the actual date of the event or change in circumstances. There were no significant transfers between levels during 2023 and 2022.

# HENRY COMMUNITY HEALTH

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

### 7. CAPITAL ASSETS

A summary of capital assets, including assets under SBITAs and leases, as of December 31, 2023, follows:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Land	\$ 4,451,574	\$ -0-	\$ -0-	\$ -0-	\$ 4,451,574
Land improvements	2,436,417	121,537	(113,120)	-0-	2,444,834
Buildings and improvements	79,966,378	5,686,828	(1,034,355)	-0-	84,618,851
Fixed equipment	23,093,807	1,129,271	(53,031)	-0-	24,170,047
Major equipment	52,576,083	3,081,147	(2,572,620)	26,536	53,111,146
Construction in progress	1,292,864	10,090	-0-	(26,536)	1,276,418
Total depreciable capital assets	163,817,123	10,028,873	(3,773,126)	-0-	170,072,870
Less accumulated depreciation:					
Land improvements	(1,678,159)	(76,094)	-0-	-0-	(1,754,253)
Buildings and improvements	(49,780,792)	(4,019,510)	2,319,142	-0-	(51,481,160)
Fixed equipment	(13,404,215)	(996,729)	53,031	-0-	(14,347,913)
Major equipment	(31,809,366)	(3,400,689)	1,391,130	-0-	(33,818,925)
Total accumulated depreciation	(96,672,532)	(8,493,022)	3,763,303	-0-	(101,402,251)
Total depreciable capital assets, net	67,144,591	1,535,851	(9,823)	-0-	68,670,619
Intangible right-to-use assets:					
SBITA assets	16,338,877	-0-	-0-	-0-	16,338,877
Total intangible right-to-use assets:	16,338,877	-0-	-0-	-0-	16,338,877
Less accumulated amortization					
SBITA assets	(9,985,180)	(2,581,079)	-0-	-0-	(12,566,259)
Total accumulated amortization	(9,985,180)	(2,581,079)	-0-	-0-	(12,566,259)
Total intangible right-to-use assets, net	6,353,697	(2,581,079)	-0-	-0-	3,772,618
Capital assets, net	\$ 73,498,288	\$ (1,045,228)	\$ (9,823)	\$ -0-	\$ 72,443,237

# HENRY COMMUNITY HEALTH

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

A summary of capital assets as restated, including assets under SBITAs and leases, as of December 31, 2022, follows:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Land	\$4,451,574	\$ -0-	\$ -0-	\$ -0-	\$ 4,451,574
Land improvements	2,459,530	109,187	(132,300)	-0-	2,436,417
Buildings and improvements	77,678,181	1,858,072	(1,464,252)	1,894,377	79,966,378
Fixed equipment	21,967,969	1,125,838	-0-	-0-	23,093,807
Major equipment	52,374,857	2,677,383	(2,476,157)	-0-	52,576,083
Construction in progress	1,787,978	1,399,263	-0-	(1,894,377)	1,292,864
Total depreciable capital assets	160,720,089	7,169,743	(4,072,709)	-0-	163,817,123
Less accumulated depreciation:					
Land improvements	(1,604,659)	(73,500)	-0-	-0-	(1,678,159)
Buildings and improvements	(47,105,467)	(3,490,741)	815,416	-0-	(49,780,792)
Fixed equipment	(12,848,380)	(555,835)	-0-	-0-	(13,404,215)
Major equipment	(29,881,567)	(3,752,439)	1,824,640	-0-	(31,809,366)
Total accumulated depreciation	(91,440,073)	(7,872,515)	2,640,056	-0-	(96,672,532)
Total depreciable capital assets, net	69,280,016	(702,772)	(1,432,653)	-0-	67,144,591
Intangible right-to-use assets:					
Leased equipment	623,135	-0-	(623,135)	-0-	-0-
SBITA assets	15,372,408	966,469	-0-	-0-	16,338,877
Total intangible right-to-use assets:	15,995,543	966,469	(623,135)	-0-	16,338,877
Less accumulated amortization					
Leased equipment	(311,568)	(311,567)	623,135	-0-	-0-
SBITA assets	(7,655,547)	(2,329,633)	-0-	-0-	(9,985,180)
Total accumulated amortization	(7,967,115)	(2,641,200)	623,135	-0-	(9,985,180)
Total intangible right-to-use assets, net	8,028,428	(1,674,731)	-0-	-0-	6,353,697
Capital assets, net	\$ 77,308,444	\$ (2,377,503)	\$ (1,432,653)	\$ -0-	\$ 73,498,288

The Hospital has approximately \$17,921,000 of remaining commitments related to construction in progress as of December 31, 2023.

### Intangible right-to-use assets

#### *Leased equipment*

In 2022, the Hospital implemented the guidance in GASB No. 87, *Leases* and recognized the value of equipment leased under long-term contracts. As of December 31, 2022, the Hospital had one lease agreement in place for equipment. The lease expired in 2022, and a new lease agreement was not entered upon expiration.

# HENRY COMMUNITY HEALTH

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

### *SBITA assets*

In 2023, the Hospital adopted the guidance in GASB 96 and recognized the value of SBITAs under long-term contracts. As of December 31, 2023 and 2022, the Hospital had various agreements in place for SBITAs. The values of the SBITA intangible right-to-use assets are amortized straight-line over the lease terms including renewable periods the Hospital is reasonably certain to exercise. The amortization periods conclude at various times from 2024 through 2027. The terms of the SBITA agreements are addressed in Note 9.

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

During March 2015, the Hospital borrowed \$18,000,000 from the Indiana Financing Authority (the Authority) and issued Health Facility Revenue Bonds Series 2015 (Series 2015 Bonds) to refund the Series 2009 and Series 2012 bonds. The Series 2015 Bonds bear interest at rates as determined by daily, weekly, flexible, semiannual, or fixed modes, which was 4.89% and 3.93% as of December 31, 2023 and 2022, respectively.

The Hospital and the Authority then entered into an agreement with a Regions bank (Regions) whereby Regions purchased from the Authority all the Series 2015 Bonds in a private placement. The agreement provided that Regions would hold the Series 2015 Bonds during the Bank Purchase Mode Period, which runs through March 2030. The Series 2015 Bonds are a direct placement with Regions. During the Bank Purchase Mode Period, the Series 2015 Bonds would bear interest at the Bank Purchase Rate (1.17% plus 67% of 1M BBA LIBOR), reset monthly, with principal and interest payments determined using a 15-year amortization schedule. The Series 2015 bonds are collateralized by Hospital revenues. Annual bond payments for the 2015 bonds commenced during March 2016 and continue through March 2030 ranging from approximately \$961,000 to \$1,469,000.

A summary of long-term debt borrowings, payments, and balances at and for the years ended December 31 follows:

	Balance December 31, 2022	Additional borrowings	Payments	Balance December 31, 2023	Current portion	Long-term portion
Demand Revenue Bonds, Direct placement - Series 2015	\$ 10,602,000	\$ -0-	\$ 1,191,000	\$ 9,411,000	\$ -0-	\$ 9,411,000
	Balance December 31, 2021	Additional borrowings	Payments	Balance December 31, 2022	Current portion	Long-term portion
Demand Revenue Bonds, Direct placement - Series 2015	\$ 11,757,000	\$ -0-	\$ 1,155,000	\$ 10,602,000	\$ 1,191,000	\$ 9,411,000

## HENRY COMMUNITY HEALTH

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

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The Hospital is also required to meet certain financial and affirmative covenants. One of these covenants requires that the Hospital maintain a minimum of \$9.2 million in cash and investments with Regions. The Hospital believes it is in compliance with all covenants as of December 31, 2023 and 2022. If the Hospital were to be in default under the agreement, the interest rate on the 2015 Series Bonds could be increased to the lesser of 1M BBA LIBOR plus 5% or the highest rate allowable by law.

The 2015 Series Bonds can be optionally redeemed early by the Hospital. If they are redeemed early, the Hospital must pay a premium from between 100.5% and 102% of the outstanding balance on the 2015 Series Bonds, dependent on the amount of time outstanding until maturity.

In January 2024, the Hospital borrowed \$32,200,000 from the Indiana Financing Authority (the Authority) and issued Health Facility Revenue Refunding Bonds Series 2024 (Series 2024 Bonds) for construction of a new facility in Knightstown and to refund the Series 2015 bonds.

The Hospital and the Authority then entered into an agreement with Wintrust Bank (Wintrust) whereby Wintrust purchased from the Authority all the Series 2024 Bonds in a private placement. The agreement provided that Wintrust would hold the Series 2024 Bonds at a Direct Purchase Rate during the initial period, which runs through the first to occur of (i) January 17, 2034, (ii) the conversion date next succeeding January 18, 2024 (provided that Wintrust consents thereto in writing), and (iii) January 1, 2054. The Series 2024 Bonds are a direct placement with Wintrust. During the initial period, the Series 2024 Bonds bear interest at rates as determined by Term SOFR, multiplied by the applicable factor of 80% and adjusted for a spread of 74 basis points. The adjusted rate was 3.69% as of December 31, 2023.

The Series 2024 bonds are collateralized by Hospital gross receivables. Quarterly bond payments ranging from approximately \$256,000 to \$464,000 including principal and interest for the Series 2024 Bonds will commence during April 2025 and continue through January 2054.

The Hospital entered into a derivative swap agreement with Wintrust to synthetically fix the variable bank interest rate of the Series 2024 Bonds to a fixed 3.97% for the Initial Period.

Within the statements of net position, the current portion of long-term debt as of December 31, 2023 was updated to \$-0- to reflect the impact of the Series 2024 Bonds, which have no principal payments scheduled until 2025.

# HENRY COMMUNITY HEALTH

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

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Scheduled principal repayments on long-term debt, updated for the Series 2024 bonds, are as follows:

<u>Years Ending December 31,</u>	<u>Direct placement</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ -0-	\$ 900,091
2025	453,000	1,273,823
2026	624,000	1,251,127
2027	648,000	1,226,016
2028	675,000	1,203,170
2029-2054	29,800,000	17,535,949
	<u>\$ 32,200,000</u>	<u>\$ 23,390,176</u>

### 9. SBITA AND LEASE LIABILITY

In 2023, the Hospital adopted the guidance in GASB 96 for accounting and reporting SBITAs that had previously been reported as expenses. Under this GASB statement, the Hospital recognized SBITA liabilities and SBITA assets in the financial statements. At implementation of GASB 96 and the commencement of SBITAs beginning after January 1, 2022, the Hospital initially measured the lease SBITA liability at the present value of payments expected to be made during the remaining SBITA term. Subsequently, the SBITA liability is reduced by the principal portion of payments made. The SBITA asset was initially measured as the initial amount of the SBITA liability, adjusted for SBITA payments made at or before SBITA commencement date, plus certain initial direct costs. Subsequently, the SBITA asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to SBITAs include how the Hospital determines (1) the discount rate it uses to discount the expected SBITA payments to present value, (2) SBITA term and (3) SBITA payments. The Hospital uses the interest rate charged by the lessor or software subscription provider as the discount rate. When the interest rate charged by the lessor or software subscription provider is not provided, the Hospital generally uses its estimated incremental borrowing rate as the discount rate for SBITAs. The SBITA term includes the noncancellable period of the subscription. SBITA payments included in the measurement of the SBITA liability are composed of fixed payments. The Hospital monitors changes in circumstances that would require a remeasurement of its SBITAs and will remeasure the SBITA asset and liability if certain changes occur that are expected to significantly affect the amount of the SBITA liability.

SBITA agreements under GASB 96 for the Hospital include its electronic health records, general ledger package, and information technology security services, among other key subscription-based services. The SBITA agreements require either monthly payments up to \$174,000 per month through 2027 or annual payments up to \$160,000 through 2025. The discount rate is based on the implicit rate in the SBITA agreement if stated. If not stated, the Hospital's incremental borrowing rate was used. The discount rate utilized for all SBITAs was 4.00% for 2023 and 2022.

## HENRY COMMUNITY HEALTH

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

The progressions for SBITA liabilities for 2023 and 2022 are as follows:

December 31, 2022	Additions	Reductions	December 31, 2023	Current Portion
<u>\$ 6,147,910</u>	<u>\$ -0-</u>	<u>\$ (2,581,079)</u>	<u>\$ 3,566,831</u>	<u>\$ 2,380,266</u>
December 31, 2021	Additions	Reductions	December 31, 2022	Current Portion
<u>\$ 7,630,224</u>	<u>\$ 966,469</u>	<u>\$ (2,448,783)</u>	<u>\$ 6,147,910</u>	<u>\$ 2,581,079</u>

There were no remeasurements for SBITA liabilities during 2023 and 2022.

Scheduled principal and interest payments on SBITA liabilities for the years succeeding December 31, 2023 are as follows:

Year Ending December 31,	SBITA liability payments to maturity	
	Principal	Interest
2024	2,380,266	98,906
2025	1,024,507	17,122
2026	107,065	4,079
2027	54,993	579
	<u>\$ 3,566,831</u>	<u>\$ 120,686</u>

During 2017, the Hospital borrowed approximately \$1,599,000 related to a lease obligation for equipment with a term of five years. The lease required minimum annual lease payments of \$336,000. The Hospital made payments on the lease obligation until expiration during 2022. For the purposes of discounting future payments on the lease, the Hospital used the 1.65% imputed interest rate. The leased equipment and accumulated amortization of the right-to-use assets are outlined in Note 7.

# HENRY COMMUNITY HEALTH

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

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### 10. NET PATIENT SERVICE REVENUE

Patient service revenue for 2023 and 2022 consists of the following:

	2023	2022
Inpatient services	\$ 68,130,828	\$ 76,965,375
Outpatient services	410,838,795	368,167,433
Long term care	236,687,099	214,180,399
Gross patient service revenue	<u>715,656,722</u>	<u>659,313,207</u>
Contractual allowances	310,341,305	284,643,589
Bad debts	8,839,778	8,999,741
Charity care	1,378,578	1,266,622
Deductions from revenue	<u>320,559,661</u>	<u>294,909,952</u>
Net patient service revenue	<u>\$ 395,097,061</u>	<u>\$ 364,403,255</u>

The Board of Directors approves the fee schedule, which is administered with the expectation that clients are to pay for services at a rate commensurate with their ability to pay. No clients will be refused services because of their inability to pay. Essentially, the Hospital's policies define charity services as those services for which a discounted obligation for payment is anticipated. In assessing a client's inability to pay, the Hospital uses an ability-to-pay schedule based on income and dependents. The Hospital also adjusts charges based on contractual agreements with third-party payors. The Hospital maintains records to identify and monitor the level of charges foregone for services furnished under charity care policy and contractual adjustments. The Hospital has agreements with third-party payors including Medicare, Medicaid and the State of Indiana and other commercial insurance carriers that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

#### Medicare

Payments for inpatient acute care services are made based upon the patient's diagnosis, irrespective of cost. The diagnosis upon which payment is based is subject to review by Medicare representatives. Outpatient claims are reimbursed under Ambulatory Payment Classifications, which are based on the procedures performed and are subject to review by the program. Medicare reimbursements are subject to audit by Medicare. Provisions have been made for the estimated effect of review and audits by the program.

#### Medicaid

Reimbursement for Medicaid services are paid at prospectively determined rates per discharge or per occasion of service.

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# HENRY COMMUNITY HEALTH

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

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### Other

Payment agreements with certain commercial insurance carriers and other payors provide for payment using prospectively determined daily rates and discounts from established charges.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. The Hospital believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigation involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretations, as well as significant regulatory action including fines, penalties, and exclusions from the Medicare and Medicaid programs. As a result, there is at least a possibility that recorded estimates will change by a material amount in the near term.

## **11. RETIREMENT PLANS**

### Plan Descriptions

The Hospital has three defined contribution pension plans: Henry County Memorial Hospital Employees' Pension Plan (Pension Plan), the Henry County Memorial Hospital 403(b) Plan (403(b) Plan), and the Henry County Memorial Hospital Eligible 457 Deferred Compensation Plan (457 Plan), as authorized by Indiana Code 16-22-3-11. The plans are administered by the Hospital and cover all employees who meet eligibility requirements as to age and length of service. The plans provide retirement, disability, and death benefits to plan members and beneficiaries. The plan's provisions and contribution requirements were established by written agreement between the Hospital's Board of Trustees, Meridian Investment Advisors, Inc., Nyhart, Lincoln Financial Group, Shoreline Asset Management, and Fidelity Brokerage Services, LLC (Plan Administrators). The Plan Administrators issue publicly available financial reports that include the financial statements and required supplementary information of the plans. The reports are available by contacting the Hospital's accounting department.

### Funding Policy

The contribution requirements of plan members are established by the written agreement between the Hospital's Board of Trustees and the Plan Administrators. The Hospital is required to contribute to the Pension Plan at the Board approved rate. The Hospital is not permitted to contribute to the 403(b) Plan or the 457 Plan.

During 2022, the Hospital contributes 4% of an eligible employee's wages and matches 50% of an employee's contribution to the plan up to 2% of their wages to the Pension Plan. Effective January 2, 2023, the Hospital began matching 50% of an employee's contribution to the plan up to 6% of their wages for all employees that enter the Pension Plan.

Hospital contributions to the Pension Plan for 2023 and 2022 were approximately \$3,097,000 and \$2,884,000, respectively.

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# HENRY COMMUNITY HEALTH

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

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### **12. SPLIT-DOLLAR LIFE INSURANCE POLICY**

The Hospital has a Split-Dollar Life Insurance Agreement (the Agreement) for a key employee that is recorded at contract value in other assets at approximately \$3,226,000 and \$3,125,000 as of December 31, 2023 and 2022, respectively. The Hospital is the sole and absolute owner of the related life insurance policy. The Agreement was used to fund a supplemental retirement benefit plan. During 2022, the employee met the requirements provided in the Agreement and the Hospital began paying an annual benefit, as is stipulated in the Agreement until the death of the employee. An annual expense is recorded for the death benefit and the salary continuation components of the agreement.

### **13. EMPLOYEE HEALTH PLAN**

The Hospital participates in a self-funded health plan covering substantially all employees. Covered services include medical benefits. The plan has annual reinsurance coverage starting at a specific level of \$300,000 per individual with an unlimited specific lifetime maximum reimbursement per covered person and no aggregate limit. The financial statements include an estimated provision for claims that have been incurred but not reported. Total health claims expense was approximately \$10,843,000 and \$12,738,000 for the years ended December 31, 2023 and 2022, respectively.

### **14. NET POSITION RESTRICTED BY DONOR**

Net position restricted by donor of approximately \$1,564,000 and \$1,301,000 at December 31, 2023 and 2022, respectively, consist of donor-restricted funds held by the Foundation primarily for Hospital construction projects.

### **15. MALPRACTICE INSURANCE**

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

The Indiana Medical Malpractice Act, IC 34-18 (the Act) provides a maximum recovery of \$1,800,000 for an occurrence of malpractice. The Act requires the Hospital to maintain medical malpractice liability insurance in the amount of at least \$500,000 per occurrence (\$15,000,000 in the annual aggregate). The Act also requires the Hospital 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 per occurrence and the annual aggregate amounts as noted above, under certain terms and conditions. No accrual for possible losses attributable to incidents that may have occurred but that have not been identified has been made because the amount, if any, is not reasonably estimable. The Fund is on a claims-made basis and as long as this coverage is continuous or replaced with equivalent insurance, claims based on occurrences during its term but reported subsequently will be insured.

# HENRY COMMUNITY HEALTH

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

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

The Hospital is a member in a captive insurance company, Suburban Health Organization Segregated Portfolio Company, LLC, to fund the Hospital's required portion of the professional and physician insurance coverage pursuant to the Act as well as its general liability insurance and excess coverage.

### 16. INVESTMENTS IN AFFILIATES

The Hospital purchased a 1% ownership in St. Vincent Heart Center of Indiana, LLC (Heart Center) during 2017 for approximately \$2,557,000 and has a 1% ownership in the Heart Center at December 31, 2022 and 2023, respectively. The Hospital has accounted for this investment under the cost method of accounting and assesses the investment for impairment on an annual basis. As of December 31, 2022 and 2023, the investment was not deemed to be impaired. The investment is included in other assets on the statements of net position.

The Hospital has investments in other joint ventures included within other assets in the statements of net position, which are immaterial to the financial statements as a whole.

Separate financial statements related to these joint ventures may be obtained by contacting Hospital management.

### 17. CONCENTRATIONS OF CREDIT RISK

The Hospital grants credit without collateral to its patients, who are primarily local residents and are insured under third-party payor agreements.

The mix of receivables and gross patient service revenues from patients and third-party payors for 2023 and 2022 was as follows:

	Receivables		Revenues	
	2023	2022	2023	2022
Self pay	7%	6%	12%	11%
Medicare and Medicaid	58%	56%	64%	66%
Other commercial	35%	38%	24%	23%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

# HENRY COMMUNITY HEALTH

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

### 18. BLENDED COMPONENT UNITS

The Hospital's financial statements include the accounts of its blended component units, DMC and the Foundation. Separate financial statements related to the individual component units may be obtained by contacting Hospital management. The following is a summary of the financial position of DMC and the Foundation as of December 31, 2023, and a summary of the related statements of operations, changes in net position, and cash flows for the year then ended:

	DMC	Foundation	Total
<b>Assets:</b>			
Cash and money market deposit accounts	\$ 161,661	\$ 710,415	\$ 872,076
Patient accounts receivable, net	2,739,025	-0-	2,739,025
Supplies and other current assets	1,546,357	41,333	1,587,690
Total current assets	4,447,043	751,748	5,198,791
Investments	-0-	45,710,792	45,710,792
Assets whose use is limited - by donor	-0-	1,564,117	1,564,117
Capital assets, net	4,960,692	30,540,869	35,501,561
Other assets	38,837	-0-	38,837
Total assets	\$ 9,446,572	\$ 78,567,526	\$ 88,014,098
<b>Liabilities:</b>			
Current portion of intangible right-to-use lease liabilities	\$ 370,579	\$ -0-	\$ 370,579
Accounts payable and accrued expenses	2,009,085	1,928,493	3,937,578
Due to Hospital	106,671,950	4,695,616	111,367,566
Total current liabilities	109,051,614	6,624,109	115,675,723
Long-term intangible right-to-use lease liabilities, net of current portion	4,327,393	-0-	4,327,393
Long-term debt, net of current portion	-0-	715,236	715,236
Total liabilities	113,379,007	7,339,345	120,718,352
<b>Net position</b>			
Unrestricted net position (deficit)	(104,195,155)	39,838,431	(64,356,724)
Net investment in capital assets	262,720	29,825,633	30,088,353
Restricted by donor for capital acquisition	-0-	1,564,117	1,564,117
Total net position	(103,932,435)	71,228,181	(32,704,254)
Total liabilities and net position	\$ 9,446,572	\$ 78,567,526	\$ 88,014,098

# HENRY COMMUNITY HEALTH

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

	DMC	Foundation	Total
Operating revenues			
Net patient service revenue	\$ 21,830,644	\$ 1,540,295	\$ 23,370,939
Other revenue	-0-	4,032,464	4,032,464
Total operating revenues	<u>21,830,644</u>	<u>5,572,759</u>	<u>27,403,403</u>
Operating expenses			
Salaries and benefits	14,294,651	201,527	14,496,178
Purchased services	3,997,274	213,797	4,211,071
Medical supplies and drugs	11,505,152	-0-	11,505,152
Other supplies	-0-	53,955	53,955
Depreciation and amortization	53,061	980,224	1,033,285
Utilities	90,484	403,123	493,607
Rent	638,908	-0-	638,908
Other	1,434,064	1,730,736	3,164,800
Total operating expenses	<u>32,013,594</u>	<u>3,583,362</u>	<u>35,596,956</u>
Gain (loss) from operations	(10,182,950)	1,989,397	(8,193,553)
Non-operating revenues (expenses)			
Investment income	1	4,889,996	4,889,997
Interest expense	(46,872)	(33,948)	(80,820)
Other nonoperating	-0-	163,960	163,960
Total nonoperating revenues (expenses)	<u>(46,871)</u>	<u>5,020,008</u>	<u>4,973,137</u>
Change in net position (deficit)	(10,229,821)	7,009,405	(3,220,416)
Net position - beginning of year	(93,702,614)	64,218,776	(29,483,838)
Net position - end of year	<u>\$ (103,932,435)</u>	<u>\$ 71,228,181</u>	<u>\$ (32,704,254)</u>
Cash flows from activities			
Operating	\$ 82,881	\$ 5,062,560	\$ 5,145,441
Capital and related financing	(57,851)	(4,290,763)	(4,348,614)
Investing	1	5,978,881	5,978,882
Net change in cash and money market deposit accounts	<u>25,031</u>	<u>6,750,678</u>	<u>6,775,709</u>
Cash - beginning of year	136,630	2,580,160	2,716,790
Cash - end of year	<u>\$ 161,661</u>	<u>\$ 9,330,838</u>	<u>\$ 9,492,499</u>
Reconciliation of cash and money market deposit accounts to the statements of net position			
Cash and money market deposit accounts			
In current assets	\$ 161,661	\$ 710,415	\$ 872,076
In investments	-0-	8,620,423	8,620,423
Total cash and money market deposit accounts	<u>\$ 161,661</u>	<u>\$ 9,330,838</u>	<u>\$ 9,492,499</u>

# HENRY COMMUNITY HEALTH

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

The following is a summary of the financial position of DMC and the Foundation as of December 31, 2022, and a summary of the related statements of operations, changes in net position, and cash flows for the year then ended:

	Restated		
	DMC	Foundation	Total
<b>Assets:</b>			
Cash and money market deposit accounts	\$ 136,630	\$ 504,514	\$ 641,144
Patient accounts receivable, net	1,882,598	-0-	1,882,598
Supplies and other current assets	618,267	98,760	717,027
Due from Hospital	10,500	-0-	10,500
Total current assets	2,647,995	603,274	3,251,269
Investments	-0-	40,353,725	40,353,725
Assets whose use is limited - by donor	-0-	1,301,332	1,301,332
Capital assets, net	5,357,253	27,354,794	32,712,047
Other assets	38,837	-0-	38,837
Total assets	\$ 8,044,085	\$ 69,613,125	\$ 77,657,210
<b>Liabilities:</b>			
Current portion of long-term debt	\$ -0-	\$ 90,516	\$ 90,516
Current portion of intangible right-to-use lease liabilities	572,141	-0-	572,141
Accounts payable and accrued expenses	1,074,382	577,971	1,652,353
Due to Hospital	95,619,866	4,010,626	99,630,492
Total current liabilities	97,266,389	4,679,113	101,945,502
Long-term intangible right-to-use lease liabilities, net of current portion	4,480,310	-0-	4,480,310
Long-term debt, net of current portion	-0-	715,236	715,236
Total liabilities	101,746,699	5,394,349	107,141,048
<b>Net position</b>			
Unrestricted net position (deficit)	(94,007,416)	36,368,402	(57,639,014)
Net investment in capital assets	304,802	26,549,042	26,853,844
Restricted by donor for capital acquisition	-0-	1,301,332	1,301,332
Total net position	(93,702,614)	64,218,776	(29,483,838)
Total liabilities and net position	\$ 8,044,085	\$ 69,613,125	\$ 77,657,210

# HENRY COMMUNITY HEALTH

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

	Restated		Total
	DMC	Foundation	
<b>Operating revenues</b>			
Net patient service revenue	\$ 17,907,204	\$ 1,432,515	\$ 19,339,719
Other revenue	-0-	4,028,325	4,028,325
Total operating revenues	<u>17,907,204</u>	<u>5,460,840</u>	<u>23,368,044</u>
<b>Operating expenses</b>			
Salaries and benefits	14,025,937	203,976	14,229,913
Purchased services	3,835,776	586,675	4,422,451
Medical supplies and drugs	9,049,897	-0-	9,049,897
Other supplies	-0-	20,906	20,906
Depreciation and amortization	34,138	1,022,448	1,056,586
Utilities	93,857	472,993	566,850
Rent	625,843	-0-	625,843
Other	616,331	1,529,432	2,145,763
Total operating expenses	<u>28,281,779</u>	<u>3,836,430</u>	<u>32,118,209</u>
Gain (loss) from operations	(10,374,575)	1,624,410	(8,750,165)
<b>Non-operating revenues (expenses)</b>			
Investment income	11	(5,770,987)	(5,770,976)
Interest expense	(46,872)	(19,276)	(66,148)
Other nonoperating	-0-	39,500	39,500
Total nonoperating revenues (expenses)	<u>(46,861)</u>	<u>(5,750,763)</u>	<u>(5,797,624)</u>
Change in net position (deficit)	(10,421,436)	(4,126,353)	(14,547,789)
Net position (deficit) - beginning of year	(83,281,178)	68,345,129	(14,936,049)
Net position (deficit) - end of year	<u>\$ (93,702,614)</u>	<u>\$ 64,218,776</u>	<u>\$ (29,483,838)</u>
<b>Cash flows from activities</b>			
Operating	\$ 103,453	\$ 3,722,544	\$ 3,825,997
Capital and related financing	(137,221)	(1,303,347)	(1,440,568)
Investing	11	(4,675,638)	(4,675,627)
Net change in cash and money market deposit accounts	<u>(33,757)</u>	<u>(2,256,441)</u>	<u>(2,290,198)</u>
Cash - beginning of year	170,387	4,836,601	5,006,988
Cash - end of year	<u>\$ 136,630</u>	<u>\$ 2,580,160</u>	<u>\$ 2,716,790</u>
<b>Reconciliation of cash and money market deposit accounts to the statements of net position</b>			
Cash and money market deposit accounts			
In current assets	\$ 136,630	\$ 504,514	\$ 641,144
In investments	-0-	2,075,646	2,075,646
Total cash and money market deposit accounts	<u>\$ 136,630</u>	<u>\$ 2,580,160</u>	<u>\$ 2,716,790</u>

**SUPPLEMENTARY INFORMATION**

# HENRY COMMUNITY HEALTH

## COMBINING STATEMENTS OF NET POSITION DECEMBER 31, 2023

ASSETS	Hospital	Foundation	Diversified Management Corporation	Eliminations	Total
<b>Current assets</b>					
Cash and money market deposit accounts	\$ 34,116,234	\$ 710,415	\$ 161,661	\$ -0-	\$ 34,988,310
Patient accounts receivable, net	41,797,166	-0-	2,739,025	(59,842)	44,476,349
Supplies and other current assets	6,992,296	41,333	1,546,357	9,635	8,589,621
Due from related parties	111,674,472	-0-	-0-	(111,674,472)	-0-
Estimated third-party settlements	1,299,694	-0-	-0-	-0-	1,299,694
Total current assets	195,879,862	751,748	4,447,043	(111,724,679)	89,353,974
<b>Investments</b>	-0-	45,710,792	-0-	-0-	45,710,792
<b>Assets whose use is limited</b>					
Internally designated	30,665,431	-0-	-0-	-0-	30,665,431
By donor - expendable - for capital acquisition	-0-	1,564,117	-0-	-0-	1,564,117
Total assets whose use is limited	30,665,431	1,564,117	-0-	-0-	32,229,548
<b>Capital assets, net</b>	41,639,648	30,540,869	4,960,692	(4,697,972)	72,443,237
<b>Other assets</b>	8,063,761	-0-	38,837	(1,456,413)	6,646,185
Total assets	\$ 276,248,702	\$ 78,567,526	\$ 9,446,572	\$ (117,879,064)	\$ 246,383,736

See report of independent auditors on pages 1 through 4.

# HENRY COMMUNITY HEALTH

## COMBINING STATEMENTS OF NET POSITION DECEMBER 31, 2023

<b>LIABILITIES AND NET POSITION</b>	Hospital	Foundation	Diversified Management Corporation	Eliminations	Total
<b>Current liabilities</b>					
Current portion of intangible right-to-use lease liabilities	\$ -0-	\$ -0-	\$ 370,579	\$ (370,579)	\$ -0-
Current portion of SBITA liability	2,380,266	-0-	-0-	-0-	2,380,266
Accounts payable and accrued expenses	51,426,746	1,928,493	2,009,085	(1,813,526)	53,550,798
Accrued wages and related liabilities	9,361,181	-0-	-0-	-0-	9,361,181
Due to related parties	-0-	4,695,616	106,671,950	(111,367,566)	-0-
Total current liabilities	63,168,193	6,624,109	109,051,614	(113,551,671)	65,292,245
<b>Other long-term liabilities</b>	1,591,208	-0-	-0-	-0-	1,591,208
<b>Long-term intangible right-to-use lease liabilities, net of current portion</b>	-0-	-0-	4,327,393	(4,327,393)	-0-
<b>Long-term SBITA liability, net of current portion</b>	1,186,565	-0-	-0-	-0-	1,186,565
<b>Long-term debt, net of current portion</b>	8,695,764	715,236	-0-	-0-	9,411,000
Total liabilities	74,641,730	7,339,345	113,379,007	(117,879,064)	77,481,018
<b>Net position</b>					
Unrestricted	168,663,088	39,838,431	(104,195,155)	-0-	104,306,364
Net investment in capital assets	32,943,884	29,825,633	262,720	-0-	63,032,237
Restricted					
By donor - expendable - for capital acquisition	-0-	1,564,117	-0-	-0-	1,564,117
Total net position	201,606,972	71,228,181	(103,932,435)	-0-	168,902,718
Total liabilities and net position	\$ 276,248,702	\$ 78,567,526	\$ 9,446,572	\$ (117,879,064)	\$ 246,383,736

See report of independent auditors on pages 1 through 4.

## HENRY COMMUNITY HEALTH

### COMBINING STATEMENTS OF OPERATIONS AND CHANGES IN NET POSITION YEAR ENDED DECEMBER 31, 2023

	Hospital	Foundation	Diversified Management Corporation	Eliminations	Total
<b>Operating revenue</b>					
Net patient service revenue	\$ 372,430,854	\$ 1,540,295	21,830,644	\$ (704,732)	\$ 395,097,061
Other revenue	7,600,834	4,032,464	-0-	(4,942,080)	6,691,218
Total revenue	<u>380,031,688</u>	<u>5,572,759</u>	<u>21,830,644</u>	<u>(5,646,812)</u>	<u>401,788,279</u>
<b>Operating expenses</b>					
Salaries and benefits	81,614,570	201,527	14,294,651	(624,041)	95,486,707
Medical professional fees	1,137,000	-0-	-0-	-0-	1,137,000
Purchased services	163,113,859	213,797	3,997,274	(160,318)	167,164,612
Medical supplies and drugs	25,084,696	-0-	11,505,152	(51,998)	36,537,850
Other supplies	14,127,376	53,955	-0-	-0-	14,181,331
Depreciation and amortization	10,040,816	980,224	53,061	-0-	11,074,101
Utilities	6,114,506	403,123	90,484	-0-	6,608,113
Rent	27,764,173	-0-	638,908	(3,133,006)	25,270,075
Hospital assessment fee	6,258,122	-0-	-0-	-0-	6,258,122
Other	38,943,128	1,730,736	1,434,064	(1,677,449)	40,430,479
Total expenses	<u>374,198,246</u>	<u>3,583,362</u>	<u>32,013,594</u>	<u>(5,646,812)</u>	<u>404,148,390</u>
Operating income (loss)	5,833,442	1,989,397	(10,182,950)	-0-	(2,360,111)
<b>Nonoperating revenues (expenses)</b>					
Investment income	3,314,784	4,889,996	1	(46,872)	8,157,909
Interest expense	(627,702)	(33,948)	(46,872)	46,872	(661,650)
Other nonoperating	38,452	163,960	-0-	-0-	202,412
Total nonoperating revenues (expenses)	<u>2,725,534</u>	<u>5,020,008</u>	<u>(46,871)</u>	<u>-0-</u>	<u>7,698,671</u>
Change in net position	8,558,976	7,009,405	(10,229,821)	-0-	5,338,560
<b>Net position beginning of year</b>	193,047,996	64,218,776	(93,702,614)	-0-	163,564,158
<b>Net position end of year</b>	<u>\$ 201,606,972</u>	<u>\$ 71,228,181</u>	<u>\$ (103,932,435)</u>	<u>\$ -0-</u>	<u>\$ 168,902,718</u>

See report of independent auditors on pages 1 through 4.

# HENRY COMMUNITY HEALTH

## COMBINING STATEMENTS OF CASH FLOWS YEAR ENDED DECEMBER 31, 2023

	Hospital	Foundation	Diversified Management Corporation	Eliminations	Total
<b>Cash flows from operating activities</b>					
Cash received from patients and third party payors	\$ 358,242,964	\$ 1,540,295	\$ 20,974,217	\$ (644,890)	\$ 380,112,586
Cash paid to employees for wages and benefits	(79,966,014)	(201,527)	(14,294,651)	624,041	(93,838,151)
Cash paid to vendors for goods and services	(283,855,773)	(308,672)	(6,596,685)	3,105,016	(287,656,114)
Other operating receipts, net	7,600,834	4,032,464	-0-	(3,109,167)	8,524,131
Net cash flows from operating activities	2,022,011	5,062,560	82,881	(25,000)	7,142,452
<b>Cash flows from capital and related financing activities</b>					
Acquisition and construction of capital assets	(5,505,889)	(4,166,299)	(10,979)	-0-	(9,683,167)
Loss on disposal of property and equipment	9,823	-0-	-0-	-0-	9,823
Interest on long-term debt	(433,059)	(33,948)	(46,872)	46,872	(467,007)
Interest on SBITA liabilities	(194,643)	-0-	-0-	-0-	(194,643)
Principal payments on long-term debt, net	(1,100,484)	(90,516)	-0-	-0-	(1,191,000)
Principal payments on SBITA liabilities	(2,581,079)	-0-	-0-	-0-	(2,581,079)
Net cash flows from capital and related financing activities	(9,805,331)	(4,290,763)	(57,851)	46,872	(14,107,073)
<b>Cash flows from investing activities</b>					
Investment income and other non-operating	3,353,236	5,053,956	1	(46,872)	8,360,321
Change in other assets, net	(100,879)	-0-	-0-	25,000	(75,879)
Purchases of investments in assets whose use is limited - internally designated and investments	(12,236,383)	(578,363)	-0-	-0-	(12,814,746)
Proceeds from sale of investments in assets whose use is limited - internally designated and investments	8,293	1,766,073	-0-	-0-	1,774,366
Change in assets whose use is limited - restricted by donor, net	-0-	(262,785)	-0-	-0-	(262,785)
Net cash flows from investing activities	(8,975,733)	5,978,881	1	(21,872)	(3,018,723)
Net change in cash and money market deposit accounts	(16,759,053)	6,750,678	25,031	-0-	(9,983,344)
<b>Cash and money market deposit accounts</b>					
Beginning of year	50,875,287	2,580,160	136,630	-0-	53,592,077
End of year	\$ 34,116,234	\$ 9,330,838	\$ 161,661	\$ -0-	\$ 43,608,733

See report of independent auditors on pages 1 through 4.

# HENRY COMMUNITY HEALTH

## COMBINING STATEMENTS OF CASH FLOWS YEAR ENDED DECEMBER 31, 2023

	Hospital	Foundation	Diversified Management Corporation	Eliminations	Total
<b>Reconciliation of operating income (loss) to net cash flows from operating activities</b>					
Operating income (loss)	\$ 5,833,442	\$ 1,989,397	\$ (10,182,950)	\$ -0-	\$ (2,360,111)
Adjustment to reconcile operating income (loss) to net cash flows from operating activities:					
Depreciation and amortization	10,040,816	980,224	53,061	-0-	11,074,101
Bad debts	8,832,065	-0-	7,713	-0-	8,839,778
Changes in assets and liabilities:					
Patient accounts receivable	(14,758,391)	-0-	(864,140)	59,842	(15,562,689)
Supplies and other current assets	2,357,373	57,427	(928,090)	(446,893)	1,039,817
Accounts payable and accrued expenses	3,713,582	1,350,522	934,703	(1,470,862)	4,527,945
Accrued salaries and related liabilities	1,648,556	-0-	-0-	-0-	1,648,556
Other long-term liabilities	(61,503)	-0-	-0-	-0-	(61,503)
Due from (to) related parties	(13,580,487)	684,990	11,062,584	1,832,913	-0-
Estimated third-party settlements	(2,003,442)	-0-	-0-	-0-	(2,003,442)
Net cash flows from operating activities	<u>\$ 2,022,011</u>	<u>\$ 5,062,560</u>	<u>\$ 82,881</u>	<u>\$ (25,000)</u>	<u>\$ 7,142,452</u>
<b>Reconciliation of cash and money market deposit accounts to the statements of net position</b>					
Cash and cash equivalents					
In current assets	\$ 34,116,234	\$ 710,415	\$ 161,661	\$ -0-	\$ 34,988,310
In investments	-0-	8,620,423	-0-	-0-	8,620,423
Total cash and cash equivalents	<u>\$ 34,116,234</u>	<u>\$ 9,330,838</u>	<u>\$ 161,661</u>	<u>\$ -0-</u>	<u>\$ 43,608,733</u>
<b>Supplemental cash flows information</b>					
Property included in accounts payable	\$ 345,706	\$ -0-	\$ -0-	\$ -0-	\$ 345,706

See report of independent auditors on pages 1 through 4.

# HENRY COMMUNITY HEALTH

## COMBINING STATEMENTS OF NET POSITION DECEMBER 31, 2022 - RESTATED

ASSETS	Restated				
	Hospital	Foundation	Diversified Management Corporation	Eliminations	Total
<b>Current assets</b>					
Cash and money market deposit accounts	\$ 50,875,287	\$ 504,514	\$ 136,630	\$ -0-	\$ 51,516,431
Patient accounts receivable, net	35,870,840	-0-	1,882,598	-0-	37,753,438
Supplies and other current assets	9,349,669	98,760	618,267	(437,258)	9,629,438
Due from related parties	98,093,985	-0-	10,500	(98,104,485)	-0-
Current portion of assets whose use is limited	1,100,484	-0-	-0-	-0-	1,100,484
Total current assets	195,290,265	603,274	2,647,995	(98,541,743)	99,999,791
<b>Investments</b>	-0-	40,353,725	-0-	-0-	40,353,725
<b>Assets whose use is limited</b>					
Internally designated	18,437,341	-0-	-0-	-0-	18,437,341
By donor - expendable - for capital acquisition	-0-	1,301,332	-0-	-0-	1,301,332
	18,437,341	1,301,332	-0-	-0-	19,738,673
Less current portion	1,100,484	-0-	-0-	-0-	1,100,484
Total assets whose use is limited	17,336,857	1,301,332	-0-	-0-	18,638,189
<b>Capital assets, net</b>	45,838,692	27,354,794	5,357,253	(5,052,451)	73,498,288
<b>Other assets</b>	7,962,882	-0-	38,837	(1,431,413)	6,570,306
Total assets	\$ 266,428,696	\$ 69,613,125	\$ 8,044,085	\$ (105,025,607)	\$ 239,060,299

See report of independent auditors on pages 1 through 4.

# HENRY COMMUNITY HEALTH

## COMBINING STATEMENTS OF NET POSITION DECEMBER 31, 2022 - RESTATED

LIABILITIES AND NET POSITION	Hospital	Foundation	Restated Diversified Management Corporation	Eliminations	Total
<b>Current liabilities</b>					
Current portion of long-term debt	\$ 1,100,484	\$ 90,516	\$ -0-	\$ -0-	\$ 1,191,000
Current portion of intangible right-to-use lease liabilities	-0-	-0-	572,141	(572,141)	-0-
Current portion of SBITA liability	2,581,079	-0-	-0-	-0-	2,581,079
Accounts payable and accrued expenses	47,367,458	577,971	1,074,382	(342,664)	48,677,147
Accrued wages and related liabilities	7,712,625	-0-	-0-	-0-	7,712,625
Estimated third-party settlements	703,748	-0-	-0-	-0-	703,748
Due to related parties	-0-	4,010,626	95,619,866	(99,630,492)	-0-
Total current liabilities	59,465,394	4,679,113	97,266,389	(100,545,297)	60,865,599
<b>Other long-term liabilities</b>	1,652,711	-0-	-0-	-0-	1,652,711
<b>Long-term intangible right-to-use lease liabilities, net of current portion</b>	-0-	-0-	4,480,310	(4,480,310)	-0-
<b>Long-term SBITA liability, net of current portion</b>	3,566,831	-0-	-0-	-0-	3,566,831
<b>Long-term debt, net of current portion</b>	8,695,764	715,236	-0-	-0-	9,411,000
Total liabilities	73,380,700	5,394,349	101,746,699	(105,025,607)	75,496,141
<b>Net position</b>					
Unrestricted	157,005,552	36,368,402	(94,007,416)	-0-	99,366,538
Net investment in capital assets	36,042,444	26,549,042	304,802	-0-	62,896,288
Restricted					
By donor - expendable - for capital acquisition	-0-	1,301,332	-0-	-0-	1,301,332
Total net position	193,047,996	64,218,776	(93,702,614)	-0-	163,564,158
Total liabilities and net position	\$ 266,428,696	\$ 69,613,125	\$ 8,044,085	\$ (105,025,607)	\$ 239,060,299

See report of independent auditors on pages 1 through 4.

## HENRY COMMUNITY HEALTH

### COMBINING STATEMENTS OF OPERATIONS AND CHANGES IN NET POSITION YEAR ENDED DECEMBER 31, 2022 - RESTATED

	Restated				
	Hospital	Foundation	Diversified Management Corporation	Eliminations	Total
<b>Operating revenue</b>					
Net patient service revenue	\$ 345,320,983	\$ 1,432,515	\$ 17,907,204	\$ (257,447)	\$ 364,403,255
Other revenue	6,335,847	4,028,325	-0-	(4,680,117)	5,684,055
Total revenue	351,656,830	5,460,840	17,907,204	(4,937,564)	370,087,310
<b>Operating expenses</b>					
Salaries and benefits	78,522,767	203,976	14,025,937	(58,765)	92,693,915
Medical professional fees	1,376,337	-0-	-0-	-0-	1,376,337
Purchased services	145,479,883	586,675	3,835,776	(157,888)	149,744,446
Medical supplies and drugs	24,089,213	-0-	9,049,897	(172,419)	32,966,691
Other supplies	13,536,391	20,906	-0-	-0-	13,557,297
Depreciation and amortization	9,457,129	1,022,448	34,138	-0-	10,513,715
Utilities	5,911,154	472,993	93,857	-0-	6,478,004
Rent	23,460,265	-0-	625,843	(3,053,549)	21,032,559
Hospital assessment fee	5,082,681	-0-	-0-	-0-	5,082,681
Other	32,788,721	1,529,432	616,331	(1,494,943)	33,439,541
Total expenses	339,704,541	3,836,430	28,281,779	(4,937,564)	366,885,186
Operating income (loss)	11,952,289	1,624,410	(10,374,575)	-0-	3,202,124
<b>Nonoperating revenues (expenses)</b>					
Investment income (loss)	(3,187,447)	(5,770,987)	11	(46,872)	(9,005,295)
Interest expense	(526,075)	(19,276)	(46,872)	46,872	(545,351)
Other nonoperating	(1,091,448)	39,500	-0-	-0-	(1,051,948)
Total nonoperating revenues (expenses)	(4,804,970)	(5,750,763)	(46,861)	-0-	(10,602,594)
Change in net position	7,147,319	(4,126,353)	(10,421,436)	-0-	(7,400,470)
<b>Net position beginning of year - restated</b>	185,900,677	68,345,129	(83,281,178)	-0-	170,964,628
<b>Net position end of year - restated</b>	\$ 193,047,996	\$ 64,218,776	\$ (93,702,614)	\$ -0-	\$ 163,564,158

See report of independent auditors on pages 1 through 4.

## HENRY COMMUNITY HEALTH

### COMBINING STATEMENTS OF CASH FLOWS YEAR ENDED DECEMBER 31, 2022 - RESTATED

	Restated				Total
	Hospital	Foundation	Diversified Management Corporation	Eliminations	
<b>Cash flows from operating activities</b>					
Cash received from patients and third party payors	\$ 335,142,613	\$ 1,432,515	\$ 18,085,204	\$ (257,447)	\$ 354,402,885
Cash paid to employees for wages and benefits	(79,253,577)	(203,976)	(14,025,937)	58,765	(93,424,725)
Cash paid to vendors for goods and services	(261,324,155)	(1,534,320)	(3,955,814)	5,789,605	(261,024,684)
Other operating receipts, net	6,335,847	4,028,325	-0-	(5,590,923)	4,773,249
Net cash flows from operating activities	900,728	3,722,544	103,453	-0-	4,726,725
<b>Cash flows from capital and related financing activities</b>					
Acquisition and construction of capital assets	(5,837,438)	(1,196,291)	(90,349)	-0-	(7,124,078)
Loss on disposal of property and equipment	1,432,653	-0-	-0-	-0-	1,432,653
Interest on long-term debt	(254,706)	(19,276)	(46,872)	46,872	(273,982)
Interest on SBITA liabilities	(271,369)	-0-	-0-	-0-	(271,369)
Payments on intangible right-to use lease liabilities	(319,339)	-0-	-0-	-0-	(319,339)
Principal payments on long-term debt, net	(1,067,220)	(87,780)	-0-	-0-	(1,155,000)
Principal payments on SBITA liabilities	(2,448,782)	-0-	-0-	-0-	(2,448,782)
Net cash flows from capital and related financing activities	(8,766,201)	(1,303,347)	(137,221)	46,872	(10,159,897)
<b>Cash flows from investing activities</b>					
Investment income and other non-operating	(4,278,895)	(5,731,487)	11	(46,872)	(10,057,243)
Change in other assets, net	(95,868)	-0-	-0-	-0-	(95,868)
Purchases of investments in assets whose use is limited - internally designated and investments	(302,363)	(968,974)	-0-	-0-	(1,271,337)
Proceeds from sale of investments in assets whose use is limited - internally designated and investments	3,774,497	1,868,995	-0-	-0-	5,643,492
Change in assets whose use is limited - restricted by donor, net	-0-	155,828	-0-	-0-	155,828
Net cash flows from investing activities	(902,629)	(4,675,638)	11	(46,872)	(5,625,128)
Net change in cash and money market deposit accounts	(8,768,102)	(2,256,441)	(33,757)	-0-	(11,058,300)
<b>Cash and money market deposit accounts</b>					
Beginning of year	59,643,389	4,836,601	170,387	-0-	64,650,377
End of year	\$ 50,875,287	\$ 2,580,160	\$ 136,630	\$ -0-	\$ 53,592,077

See report of independent auditors on pages 1 through 4.

# HENRY COMMUNITY HEALTH

## COMBINING STATEMENTS OF CASH FLOWS YEAR ENDED DECEMBER 31, 2022 - RESTATED

	Restated				
	Hospital	Foundation	Diversified Management Corporation	Eliminations	Total
<b>Reconciliation of operating income (loss) to net cash flows from operating activities</b>					
Operating income (loss)	\$ 11,952,289	\$ 1,624,410	\$ (10,374,575)	\$ -0-	\$ 3,202,124
Adjustment to reconcile operating income (loss) to net cash flows from operating activities:					
Depreciation and amortization	9,457,129	1,022,448	34,138	-0-	10,513,715
Bad debts	8,975,356	-0-	24,385	-0-	8,999,741
Changes in assets and liabilities:					
Patient accounts receivable	(8,987,294)	-0-	153,615	-0-	(8,833,679)
Supplies and other current assets	(288,011)	683,748	2,472	(230,001)	168,208
Accounts payable and accrued expenses	(4,889,340)	(347,229)	220,379	1,140,807	(3,875,383)
Accrued salaries and related liabilities	(730,810)	-0-	-0-	-0-	(730,810)
Other long-term liabilities	366,560	-0-	-0-	-0-	366,560
Due from (to) related parties	(9,871,400)	739,167	10,043,039	(910,806)	-0-
Estimated third-party settlements	(5,083,751)	-0-	-0-	-0-	(5,083,751)
Net cash flows from operating activities	<u>\$ 900,728</u>	<u>\$ 3,722,544</u>	<u>\$ 103,453</u>	<u>\$ -0-</u>	<u>\$ 4,726,725</u>
<b>Reconciliation of cash and cash equivalents to the statements of net position</b>					
Cash and cash equivalents					
In current assets	\$ 50,875,287	\$ 504,514	\$ 136,630	\$ -0-	\$ 51,516,431
In assets whose use is limited - internally designated	-0-	2,075,646	-0-	-0-	2,075,646
Total cash and cash equivalents	<u>\$ 50,875,287</u>	<u>\$ 2,580,160</u>	<u>\$ 136,630</u>	<u>\$ -0-</u>	<u>\$ 53,592,077</u>
<b>Supplemental cash flows information</b>					
Property acquired through SBITA obligation	\$ 966,468	\$ -0-	\$ -0-	\$ -0-	\$ 966,468
Property included in accounts payable	\$ 45,666	\$ -0-	\$ -0-	\$ -0-	\$ 45,666



Blue & Co., LLC / 500 N. Meridian Street, Suite 200 / Indianapolis, IN 46204  
main 317.633.4705 fax 317.633.4889 email blue@blueandco.com

**REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees  
Henry Community Health  
New Castle, 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 Henry Community Health (the Hospital), which comprise the statement of net position as of December 31, 2023, 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 May 14, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting (internal control) as the 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 Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital'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 Hospital'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 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 and significant deficiencies may exist that have not been identified.

Board of Trustees  
Henry Community Health  
New Castle, Indiana

### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital'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*.

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

**Blue & Co., LLC**

Indianapolis, Indiana  
May 14, 2024