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May 23, 2017

Board of Directors
Johnson Memorial Hospital
1125 W Jefferson Street
Franklin IN 46131

We have reviewed the audit report prepared by BKD, LLP Independent Public Accountants, for the period January 1, 2015 to December 31, 2015. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Auditor's Report, the financial statements included in the report present fairly the financial condition of the Johnson Memorial Hospital, as of December 31, 2015 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

Johnson Memorial Hospital
A Component Unit of Johnson County, Indiana
Independent Auditor's Report and Financial Statements
December 31, 2015 and 2014

Johnson Memorial Hospital
A Component Unit of Johnson County, Indiana
December 31, 2015 and 2014

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Independent Auditor's Report

Board of Trustees
Johnson Memorial Hospital
Franklin, Indiana

Report on the Financial Statements

We have audited the accompanying balance sheets of Johnson Memorial Hospital (Hospital), a component unit of Johnson County, Indiana, as of December 31, 2015 and 2014, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the basic financial statements.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Johnson County Health Foundation and JMH Resource Management Company, Inc., which are included in the Hospital's financial statements, were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Johnson Memorial Hospital, a component unit of Johnson County, Indiana as of December 31, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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 audit 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The detailed balance sheet and statement of revenues, expenses and changes in net position information, listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic 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 April 29, 2016 on our consideration of the Hospital's internal control over financial reporting and 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 the 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 Hospital's internal control over financial reporting and compliance.

BKD, LLP

Indianapolis, Indiana
April 29, 2016

Johnson Memorial Hospital

A Component Unit of Johnson County, Indiana

Management's Discussion and Analysis

December 31, 2015 and 2014

Introduction

This management's discussion and analysis of the financial performance of Johnson Memorial Hospital (Hospital) provides an overview of the Hospital's financial activities for the years ended December 31, 2015 and 2014. The financial activities of the Hospital include those of its owned physician practices (Physician Services) and its operated long-term care facilities (Extended Services). The financial statements also include the activity and financial position of Johnson County Health Foundation, Inc. (Foundation) and JMH Resource Management Company, Inc. (Resource Management), which have been reported as blended component units. This management discussion and analysis should be read in conjunction with the accompanying financial statements.

Financial Highlights

- Total cash and investments increased in 2015 by \$5,869,976 (11%) and increased in 2014 by \$12,632,775 (31%).
- The Hospital reported operating income in 2015 and 2014 of \$13,637,140 and \$11,182,358, respectively. The operating income in 2015 increased by 22% over the operating income reported in 2014. The operating income in 2014 increased by 15% from the operating income reported in 2013. In 2015 and 2014, the Hospital experienced continued growth in its long-term care operations.
- Net nonoperating revenues decreased by \$1,870,744 (1742%) in 2015 compared to 2014 and decreased by \$162,731 (115%) in 2014 compared to 2013. Both decreases were primarily attributable to changes in market returns on investments.

Using This Annual Report

The Hospital's financial statements consist of three statements—a balance sheet; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These statements provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The Hospital is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

The Balance Sheet and Statement of Revenues, Expenses and Changes in Net Position

One of the most important questions asked about any hospital's finances is "Is the hospital as a whole better or worse off as a result of the year's activities?" The balance sheet and the statement of revenues, expenses 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. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Hospital's net position and changes in them. The Hospital's total net position—the difference between assets and liabilities—is one measure of the Hospital's financial health or financial position. Over time, increases or decreases in the Hospital's net position are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Hospital's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients, and local economic factors should also be considered to assess the overall financial health of the Hospital.

The Statement of Cash Flows

The statement of cash flows reports cash receipts, cash payments, and net changes in cash and cash equivalents resulting from four defined types of 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 and cash equivalents during the reporting period.

The Hospital's Net Position

The Hospital's net position is the difference between its assets and liabilities reported in the balance sheets. The Hospital's net position increased by \$11,659,002 (10%) in 2015 over 2014, and increased by \$11,074,964 (11%) in 2014 over 2013, as shown in Table 1.

Table 1: Assets, Liabilities and Net Position

	2015	2014	2013
Assets			
Patient accounts receivable, net	\$ 37,917,980	\$ 36,216,693	\$ 34,361,582
Other current assets	25,938,924	24,531,867	25,429,484
Capital assets, net	52,690,434	46,991,040	46,784,783
Other noncurrent assets	51,372,785	48,956,327	36,421,694
	<u>\$ 167,920,123</u>	<u>\$ 156,695,927</u>	<u>\$ 142,997,543</u>
Liabilities			
Long-term debt	\$ -	\$ -	\$ 1,166,583
Other current and noncurrent liabilities	44,131,094	44,565,900	40,775,897
Total liabilities	<u>44,131,094</u>	<u>44,565,900</u>	<u>41,942,480</u>
Net Position			
Net investment in capital assets	52,690,434	46,991,040	45,618,200
Unrestricted	71,098,595	65,138,987	55,436,863
Total net position	<u>123,789,029</u>	<u>112,130,027</u>	<u>101,055,063</u>
Total liabilities and net position	<u>\$ 167,920,123</u>	<u>\$ 156,695,927</u>	<u>\$ 142,997,543</u>

A significant change in the Hospital's assets in 2015 is the increase in patient accounts receivable of \$1,701,287 from \$36,216,693 at December 31, 2014 to \$37,917,980 at December 31, 2015. Net patient service revenues increased in 2015 by \$12,382,680 (4%) compared to 2014. These changes led to an increase of nine days of revenue at December 31, 2015 versus December 31, 2014. The increase in net patient service revenues and the increase in net patient accounts receivable were attributed to increases in the Extended Services operations. The increase in days of revenue is attributable to changes in payer mix with the increase in Extended Services operations.

Other changes in the Hospital's assets in 2015 included an increase in other noncurrent assets of \$2,416,458 (5%) compared to 2014. This increase is primarily attributed to increases in noncurrent cash and investments from supplemental Medicaid payments for the long-term care operations of the Hospital. Additionally, capital assets increased in 2015 by \$5,699,394 (12%) compared to 2014. This increase is attributed to new construction projects, such as the cafeteria, main entrance and enhancements to the east end campus, that were still in progress as of December 31, 2015 and land purchases in Greenwood and Whiteland.

Operating Results and Changes in the Hospital's Net Position

In 2015, the Hospital's net position increased by \$11,659,002 (10%) compared to an increase in net position during 2014 of \$11,074,964 (11%), as shown in Table 2.

Table 2: Operating Results and Changes in Net Position

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating Revenue			
Net patient service revenue	\$ 287,561,649	\$ 275,178,969	\$ 236,698,560
Other operating revenue	41,472,689	43,386,242	36,158,496
Total operating revenue	<u>329,034,338</u>	<u>318,565,211</u>	<u>272,857,056</u>
Operating Expenses			
Salaries and wages and employee benefits	41,582,127	41,994,668	44,962,639
Purchased services	149,799,205	141,827,666	117,833,504
Depreciation and amortization	4,727,253	4,622,538	4,487,617
Other operating expenses	119,288,613	118,937,981	95,831,952
Total operating expenses	<u>315,397,198</u>	<u>307,382,853</u>	<u>263,115,712</u>
Operating Income	<u>13,637,140</u>	<u>11,182,358</u>	<u>9,741,344</u>
Nonoperating Revenue (Expenses)			
Investment income	(971,152)	478,194	1,524,648
Interest expense	(2,177)	(11,286)	(67,836)
Other	(1,004,809)	(574,302)	(740,009)
Total nonoperating revenue (expense)	<u>(1,978,138)</u>	<u>(107,394)</u>	<u>716,803</u>
Increase in Net Position	<u>\$ 11,659,002</u>	<u>\$ 11,074,964</u>	<u>\$ 10,458,147</u>

Operating Income

The first component of the overall change in the Hospital's net position is its operating income—generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. In each of the past three years, the Hospital has reported operating income. This is consistent with the Hospital's recent operating history as the Hospital was formed and is operated primarily to serve residents of Johnson County and the surrounding area. The Hospital implements strong cost controls to provide sufficient resources to enable the facility to serve lower income and other residents.

Operating income in 2015 totalled \$13,637,140, which was an increase of \$2,454,782 (22%) from operating income reported in 2014 of \$11,182,358. The primary component of the changes in operating income is an increase in operating revenues of \$10,469,127 (3%) from \$318,565,211 in 2014 to \$329,034,338 in 2015. This increase is a result of the Hospital's expansion in Extended Service operations in 2015. This expansion included the acquisition of the operations of an additional three nursing homes in 2015.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of investment income and interest expense. The Hospital recognized a decrease in its investment return in 2015 compared to 2014, resulting primarily from changes in overall market returns.

The Hospital's Cash Flows

Changes in the Hospital's operating cash flows are consistent with changes in operating income and nonoperating revenues and expenses for 2015 and 2014, discussed earlier.

Capital Asset and Debt Administration

Capital Assets

At the end of 2015 and 2014, the Hospital had \$52,690,434 and \$46,991,040 invested in capital assets, net of accumulated depreciation, as detailed in Note 6 to the financial statements. In 2015 and 2014, the Hospital's construction in progress increased by \$5,876,708 and \$1,985,038, respectively.

Contacting the Hospital's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Hospital's Chief Financial Officer by telephoning (317) 736-3300.

Johnson Memorial Hospital
A Component Unit of Johnson County, Indiana
Balance Sheets
December 31, 2015 and 2014

Assets

	2015	2014
Current Assets		
Cash and cash equivalents	\$ 9,717,101	\$ 6,505,230
Patient accounts receivable, net of allowance; 2015 - \$7,559,346 and 2014 - \$7,072,474	37,917,980	36,216,693
Other receivables	12,281,854	11,950,592
Estimated amounts due from third-party payers	990,450	3,094,230
Supplies	1,452,912	1,460,066
Prepaid expenses and other	1,496,607	1,521,749
Total current assets	63,856,904	60,748,560
Noncurrent Cash and Investments		
Internally designated	48,501,937	45,472,986
Held by Foundation	1,275,686	1,646,532
	49,777,623	47,119,518
Capital Assets, net	52,690,434	46,991,040
Investment in Affiliate	1,595,162	1,836,809
Total assets	\$ 167,920,123	\$ 156,695,927

Liabilities and Net Position

Current Liabilities		
Accounts payable	\$ 34,434,522	\$ 36,006,185
Accrued expenses	9,696,572	8,559,715
Total current liabilities	44,131,094	44,565,900
Net Position		
Net investment in capital assets	52,690,434	46,991,040
Unrestricted	71,098,595	65,138,987
Total net position	123,789,029	112,130,027
Total liabilities and net position	\$ 167,920,123	\$ 156,695,927

Johnson Memorial Hospital
A Component Unit of Johnson County, Indiana
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2015 and 2014

	2015	2014
Operating Revenue		
Net patient service revenue, net of provision for uncollectible accounts of \$11,205,981 in 2015 and \$11,829,689 in 2014	\$ 287,561,649	\$ 275,178,969
Other operating revenue	41,472,689	43,386,242
Total operating revenue	329,034,338	318,565,211
Operating Expenses		
Salaries and wages	34,507,448	34,342,291
Employee benefits	7,074,679	7,652,377
Purchased services	149,799,205	141,827,666
Medical supplies and drugs	22,675,827	21,840,011
Facility and equipment leases	49,567,267	47,639,363
Hospital assessment fee	2,317,798	5,017,023
Other	44,727,721	44,441,584
Depreciation and amortization	4,727,253	4,622,538
Total operating expenses	315,397,198	307,382,853
Operating Income	13,637,140	11,182,358
Nonoperating Revenues (Expenses)		
Investment income	(971,152)	478,194
Interest expense	(2,177)	(11,286)
Other nonoperating expense	(1,004,809)	(574,302)
Total nonoperating expense	(1,978,138)	(107,394)
Excess of Revenues Over Expenses and Increase in Net Position	11,659,002	11,074,964
Net Position, Beginning of Year	112,130,027	101,055,063
Net Position, End of Year	\$ 123,789,029	\$ 112,130,027

Johnson Memorial Hospital
A Component Unit of Johnson County, Indiana
Statements of Cash Flows
Years Ended December 31, 2015 and 2014

	2015	2014
Operating Activities		
Receipts from and on behalf of patients	\$ 287,964,142	\$ 271,481,180
Payments to suppliers and contractors	(268,309,387)	(252,431,786)
Payments to employees	(40,445,270)	(41,144,473)
Other receipts, net	39,960,396	41,253,035
Net cash provided by operating activities	19,169,881	19,157,956
Capital and Related Financing Activities		
Principal paid on long-term debt	-	(1,166,583)
Interest paid on long-term debt	-	(11,286)
Purchase of capital assets	(11,321,767)	(5,251,204)
Net cash used in capital and related financing activities	(11,321,767)	(6,429,073)
Investing Activities		
Investment income	389,284	383,551
Purchase of investments	(9,913,319)	(12,698,734)
Proceeds from disposition of investments	5,894,778	-
Other	(1,006,986)	(574,302)
Net cash used in investing activities	(4,636,243)	(12,889,485)
Increase (Decrease) in Cash and Cash Equivalents	3,211,871	(160,602)
Cash and Cash Equivalents, Beginning of Year	6,505,230	6,665,832
Cash and Cash Equivalents, End of Year	\$ 9,717,101	\$ 6,505,230
Reconciliation of Operating Income to		
Net Cash		
Operating income	\$ 13,637,140	\$ 11,182,358
Depreciation and amortization	4,727,253	4,622,538
Provision for uncollectible accounts	11,205,981	11,829,689
Changes in operating assets and liabilities:		
Patient accounts receivable	(12,907,268)	(13,684,800)
Estimated amounts due from third-party payers	2,103,780	(1,842,678)
Accounts payable and accrued expenses	(434,806)	3,790,003
Other assets	837,801	3,260,846
Net cash provided by operating activities	\$ 19,169,881	\$ 19,157,956

Johnson Memorial Hospital
A Component Unit of Johnson County, Indiana
Notes to Financial Statements
December 31, 2015 and 2014

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

Johnson Memorial Hospital (Hospital) is an acute care hospital located in Franklin, Indiana. The Hospital is a component unit of Johnson County, Indiana (County) and the Board of County Commissioners appoints members to the Board of Trustees of the Hospital pursuant to the provision of Indiana Code 16-22-2-2. The Hospital primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in the Johnson County area. It also operates a home health agency and owns several physician practices (Physician Services), which provide outpatient services to patients in the same geographic area.

The Hospital operates a number of long-term care facilities through various lease agreements, which are reported in the Hospital's extended services division (Extended Services). These facilities provide inpatient and therapy services throughout their respective geographic areas and support the Hospital's mission to provide quality care and services to the facilities' residents. The facilities are managed by third parties under various management agreements. The revenues from operations are the property of the Hospital and the Hospital is responsible for the associated operating expenses and working capital requirements.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 61, the financial statements include the financial statements of Johnson County Health Foundation, Inc. (Foundation) and JMH Resource Management Company, Inc. (Resource Management). The Foundation's purpose is to provide philanthropic support through fundraising and other activities for the acquisition of equipment, facility development and support of programs at the Hospital, and has therefore been reported as a blended component unit. Resource Management's purpose is to operate for the exclusive benefit of the Hospital and the Health Care Community served by the Hospital, and has been reported as a blended component unit.

Basis of Accounting and Presentation

The financial statements of the Hospital have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place. Investment income, rental activities and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Hospital first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Johnson Memorial Hospital
A Component Unit of Johnson County, Indiana
Notes to Financial Statements
December 31, 2015 and 2014

Use of Estimates

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

Cash Equivalents

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2015 and 2014, cash equivalents consisted primarily of money market accounts with various financial institutions.

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 other than employee health claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The Hospital is self-insured for a portion of its exposure to risk of loss from employee health claims. Annual estimated provisions are accrued for the self-insured portion of employee health claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

Investments and Investment Return

Investments in U.S. Treasury, agency and instrumentality obligations with a remaining maturity of one year or less at time of acquisition are carried at amortized cost. The investment in affiliate is reported on the equity method of accounting. All other investments are carried at fair value. Fair value is determined using quoted market prices.

Investment income includes dividend and interest income and the net change for the year in the fair value of investments carried at fair value.

Johnson Memorial Hospital
A Component Unit of Johnson County, Indiana
Notes to Financial Statements
December 31, 2015 and 2014

Patient Accounts Receivable

The Hospital reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The Hospital provides an estimated allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions. As a result, there is at least a possibility that recorded estimates will change by a material amount in the near term.

Supplies

Supply inventories are stated at the lower of cost, determined using the first-in, first-out method, or market.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the Hospital:

Land improvements	15 years
Buildings and leasehold improvements	4 - 50 years
Equipment	5 - 15 years

Compensated Absences

Hospital policies permit most employees to accumulate paid time off benefits that may be realized as paid time off; the policy does not allow for payment of accrued benefits at employment termination. The paid time off policy includes substantially all compensated absences including vacation leave, sick leave and other types of leave. Employees earn these benefits at different rates depending on their years of service. In accordance with Governmental Accounting Standards Board Statement No. 16, *Accounting for Compensating Absences*, management does not accrue a liability for paid time off earned that can be categorized as sick leave and has concluded an accrued liability for paid time off earned that can be categorized as vacation leave is not material to the financial statements. Therefore, no accrued liability for compensated absences is recognized in the financial statements.

Johnson Memorial Hospital
A Component Unit of Johnson County, Indiana
Notes to Financial Statements
December 31, 2015 and 2014

Net Position

Net position of the Hospital is classified in two components. Net investment in capital assets consist of capital assets, net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Unrestricted net position is remaining assets less remaining liabilities that do not meet the definition of net investment in capital assets.

Charity Care

The Hospital provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue. Charges excluded from revenue under the Hospital's charity care policy were approximately \$3,356,000 and \$5,961,000 for 2015 and 2014, respectively. Estimated cost based on the Hospital's records was \$1,112,000 and \$2,078,000 for 2015 and 2014, respectively.

Income Taxes

As an essential government function of the County, the Hospital is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. In addition, the Hospital has been exempt from taxes under Section 501(c)(3) of the Internal Revenue Code. However, the Hospital is subject to federal income tax on any unrelated business taxable income.

The Foundation is exempt from federal income taxes under Section 501(c)(3) and 509(a)(2) of the U.S. Internal Revenue Code and a similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income. The Foundation files federal tax returns in the U.S. federal jurisdiction.

Resource Management has applied for exempt status under Section 501(c)(3) of the U.S. internal Revenue Code and a similar provision of state law. As of the date of the auditor's report, IRS approval has not been received.

Foundation

The Foundation is a legally separate, tax-exempt component unit of the Hospital. The Foundation's primary function is to raise and hold funds to support the Hospital and its programs. The board of the Foundation is self-perpetuating. Separate financial statements of the Foundation may be obtained through contacting their office at 1101 W. Jefferson Street, Suite V, Franklin, IN 46131.

Johnson Memorial Hospital
A Component Unit of Johnson County, Indiana
Notes to Financial Statements
December 31, 2015 and 2014

Electronic Health Records Incentive Program

The Electronic Health Records Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for one-time incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified electronic health records technology (EHR). Payments under the Medicare program are generally made for up to four years based on a statutory formula. Payments under the Medicaid program are generally made for up to four years based upon a statutory formula, as determined by the state, which is approved by the Centers for Medicare and Medicaid Services. Payment under both programs are contingent on the Hospital continuing to meet escalating meaningful use criteria and any other specific requirements that are applicable for the reporting period. The final amount for any payment year is determined based upon an audit by the fiscal intermediary. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

The Hospital recognizes revenue ratably over the reporting period starting at the point when management is reasonably assured it will meet all of the meaningful use objectives and any other specific grant requirements applicable for the reporting period. During 2015 and 2014, the Hospital recognized approximately \$290,000 and \$840,000, respectively, which are included in other operating revenues in the statements of revenues, expenses and changes in net position.

Reclassifications

Certain reclassifications have been made to the 2014 financial statements to conform to the 2015 financial statement presentation. These reclassifications had no effect on the change in net position.

Johnson Memorial Hospital
A Component Unit of Johnson County, Indiana
Notes to Financial Statements
December 31, 2015 and 2014

Note 2: Net Patient Service Revenue

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, residents, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known. These payment arrangements include:

Medicare

Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor.

Long-term care services rendered to Medicare program beneficiaries are paid under a prospectively determined payment system on a per diem basis based on each resident's health at admission. Medicare reimburses for 100 days of skilled nursing facility care subject to certain eligibility requirements.

Medicaid

Inpatient and outpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates. These rates vary according to the service provided and the patient diagnosis.

Long-term care services rendered to Medicaid program beneficiaries are paid on a per diem basis.

Approximately 69% and 66% of net patient service revenue are from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2015 and 2014, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

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The Hospital participates in a state specific provider assessment program designed to increase Medicaid payments to hospitals. The Hospital incurred approximately \$2.3 million and \$5.0 million of fees related to the program in 2015 and 2014, respectively, and is recorded as an operating expense. The provider assessment fee program is subject to retroactive rate setting by the state of Indiana and its Medicaid program and the amounts expensed represent the current fees that have been assessed to the Hospital. The program is scheduled to sunset on June 30, 2017. There is no assurance this program will continue to be implemented in the future.

The Hospital also qualifies as a Medicaid Disproportionate Share Hospital (DSH) provider under Indiana law and, as such, is eligible to receive supplemental Medicaid payments. The amounts of these supplemental payments are dependent on regulatory approval by agencies of the federal and state governments and is determined by level, extent and cost of uncompensated care and various other factors. Supplemental payments have been made by the State of Indiana, and the Hospital records such amounts as revenue when it has been reasonably determined that the funds will be received. The Hospital recognized approximately \$2,077,058 and \$1,863,000 within net patient service revenue related to this supplemental payment program for the years ended December 31, 2015 and 2014, respectively. At December 31, 2015 and 2014, respectively, \$1,379,000 and \$2,847,000 of the amounts due are accrued as receivable in estimated amounts due from third-party payers. This represents management's best estimate of the remaining DSH funds due to the Hospital for each fiscal year, which are typically paid in arrears.

The long-term care operations of the Hospital qualify for supplemental Medicaid payments through the Upper Payment Limit (UPL) program. The UPL is established to pay qualifying providers the difference between what Medicare would have paid and what Medicaid actually paid. The UPL is distributed through an intergovernmental transfer (IGT) arrangement. The Hospital is responsible for funding the IGT for the long-term care operations. Revenue associated with the UPL program is recorded net of IGT payments made to the program and are included in other operating revenue. The Hospital recognized approximately \$41,379,000 and \$41,425,000 related to this supplement payment program for the years ended December 31, 2015 and 2014, respectively, which is included in other operating revenue in the statements of revenues, expenses and changes in net position. At December 31, 2015 and 2014, \$10,106,000 and \$10,312,000 are accrued and included in other receivables.

The Hospital has also entered into payment agreements with certain commercial insurance carriers, HMOs and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

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The following is a summary of net patient service revenue for 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Patient service revenue		
Inpatient	\$ 41,006,358	\$ 47,117,053
Outpatient	141,702,926	132,948,835
Long-term care operations	223,230,487	207,515,320
Gross patient service revenue	<u>405,939,771</u>	<u>387,581,208</u>
Deductions from revenue		
Contractual allowances	103,815,730	94,611,110
Bad debts	11,205,981	11,829,689
Charity care	3,356,411	5,961,440
Total deductions from revenue	<u>118,378,122</u>	<u>112,402,239</u>
Net patient service revenue	<u>\$ 287,561,649</u>	<u>\$ 275,178,969</u>

Note 3: Deposits, Investments and Investment Income

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Hospital's deposit policy for custodial credit risk requires compliance with the provisions of state law.

Deposits with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation (FDIC) or by the Indiana Public Deposit Insurance Fund (IPDIF). This includes any deposit accounts issued or offered by a qualifying financial institution. Accordingly, all deposits in excess of FDIC levels are covered by the IPDIF and are considered collateralized.

Investments

The Hospital may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. It may also invest in certain deposit accounts, mutual funds, repurchase agreements and pooled investment funds as authorized by Indiana Code 16-22-3-20.

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At December 31, 2015 and 2014, the Hospital had the following investments and maturities:

December 31, 2015					
Type	Fair Value	Maturities in Years			
		Less	1-5	6-10	More
		Than 1			Than 10
Money market mutual funds	\$ 730,690	\$ 730,690	\$ -	\$ -	\$ -
Mutual funds - equities	8,817,058	8,817,058	-	-	-
Equities	7,080,682	7,080,682	-	-	-
Fixed income	387,622	387,622	-	-	-
	<u>\$ 17,016,052</u>	<u>\$ 17,016,052</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2014					
Type	Fair Value	Maturities in Years			
		Less	1-5	6-10	More
		Than 1			Than 10
Money market mutual funds	\$ 43,686	\$ 43,686	\$ -	\$ -	\$ -
Mutual funds - equities	4,351,609	4,351,609	-	-	-
Equities	9,027,633	9,027,633	-	-	-
Fixed income	473,555	473,555	-	-	-
	<u>\$ 13,896,483</u>	<u>\$ 13,896,483</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk - Interest rate risk is the risk that the changes in interest rates will adversely affect the fair value of an investment. The Hospital does not have a formal investment policy for interest rate risk.

Credit Risk - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Hospital does not have a formal investment policy for credit risk. At December 31, 2015 and 2014, the Hospital's investments were not rated.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Hospital will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Hospital's investment policy does not address how securities underlying repurchase agreements are to be held.

Concentration of Credit Risk - The Hospital places no limit on the amount that may be invested in any one issuer.

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Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the balance sheets as follows:

	<u>2015</u>	<u>2014</u>
Carrying value:		
Deposits	\$ 42,478,672	\$ 39,728,265
Investments	<u>17,016,052</u>	<u>13,896,483</u>
	<u><u>\$ 59,494,724</u></u>	<u><u>\$ 53,624,748</u></u>
Included in the following balance sheets captions:		
Cash and cash equivalents	\$ 9,717,101	\$ 6,505,230
Noncurrent cash and investments		
Internally designated	48,501,937	45,472,986
Held by Foundation	<u>1,275,686</u>	<u>1,646,532</u>
	<u><u>\$ 59,494,724</u></u>	<u><u>\$ 53,624,748</u></u>

Investment Income

Investment income for the years ended December 31 consisted of:

	<u>2015</u>	<u>2014</u>
Interest, dividends and realized gains	\$ 389,284	\$ 383,551
Net increase (decrease) in fair value of investments	<u>(1,360,436)</u>	<u>94,643</u>
	<u><u>\$ (971,152)</u></u>	<u><u>\$ 478,194</u></u>

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Note 4: Patient Accounts Receivable

The Hospital grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable at December 31 consisted of:

	<u>2015</u>	<u>2014</u>
Medicare	\$ 9,405,051	\$ 8,097,748
Medicaid	10,541,345	9,350,594
Other third-party payers	15,873,082	13,986,204
Patients	<u>9,657,848</u>	<u>11,854,621</u>
	45,477,326	43,289,167
Less allowance for uncollectible accounts	<u>7,559,346</u>	<u>7,072,474</u>
	<u>\$ 37,917,980</u>	<u>\$ 36,216,693</u>

Note 5: Investment in Affiliate

The Hospital owns a 49% interest in CHN/JMH Ventures, LLC, a company formed to provide diagnostic imaging services and outpatient rehabilitative services at a medical office complex in Johnson County. This investment is accounted for under the equity method of accounting.

Financial position and results of operations of CHN/JMH Ventures, LLC are summarized below:

	<u>2015</u>	<u>2014</u>
Current assets	\$ 1,157,953	\$ 1,640,993
Property and other long-term assets, net	<u>2,662,388</u>	<u>3,530,454</u>
Total assets	3,820,341	5,171,447
Current liabilities	<u>710,973</u>	<u>1,568,921</u>
Members' equity	<u>\$ 3,109,368</u>	<u>\$ 3,602,526</u>
Revenues	\$ 3,235,472	\$ 2,822,070
Net loss	\$ (493,158)	\$ (544,728)

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Note 7: Medical Malpractice Claims

The Hospital purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. In addition, the Hospital is a qualified health care provider under the Indiana Medical Malpractice Act and is fully insured under a claims-made policy on a fixed premium basis. The Indiana Medical Malpractice Act limits a qualified provider's liability for an occurrence to the amount of required insurance. The Indiana patient compensation fund is liable for the excess up to an overall damage cap. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claims 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 claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

Note 8: Employee Health Claims

Substantially all of the Hospital's employees and their dependents are eligible to participate in the Hospital's employee health insurance plan. The Hospital is self-insured for health claims of participating employees and dependents up to an individual employee amount of \$300,000 per year. Commercial stop-loss insurance coverage is purchased for claims in excess of the aggregate annual amount. A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims, and other economic and social factors. It is reasonably possible that the Hospital's estimate will change by a material amount in the near term.

Activity in the Hospital's accrued employee health claims liability during 2015 and 2014 is summarized as follows:

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 450,000	\$ 450,000
Current year claims incurred and changes in estimates for claims incurred in prior years	3,593,576	4,338,198
Claims and expenses paid	<u>(3,593,576)</u>	<u>(4,338,198)</u>
Balance, end of year	<u>\$ 450,000</u>	<u>\$ 450,000</u>

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December 31, 2015 and 2014

Note 9: Designated Net Position

At December 31, 2015 and 2014, unrestricted net position amounts have been designated by the Hospital's Board for funded depreciation and other matters. Designated net position amounts remain under the control of the Board, which may, at its discretion, later use these net position amounts for other purposes. Designated net position at December 31 consisted of:

	2015	2014
Funded depreciation	\$ 8,483,111	\$ 12,987,386
Other board designated	40,018,826	32,485,600
Total designated net position	\$ 48,501,937	\$ 45,472,986

Note 10: Long-Term Care Operating Leases and Management Agreements

The Hospital has entered into various agreements to lease the facilities and equipment for the operation of 38 nursing homes. Along with each lease agreement, the Hospital has also entered into management agreements with the facilities' previous managers (Managers) to continue to operate the facilities. These agreements expire at various times through October 2020 and include optional one to two year extensions. The management agreements include optional termination clauses by either party if material changes in circumstances, as defined in the agreement, occur. The leases include termination clauses where the lease shall automatically end at the termination of the management agreement between the Hospital and the Managers.

The lease agreements call for monthly base rent payments as outlined in the agreements. Several facilities include annual rent increases of 2%. Rental expense approximated \$35,077,000 and \$31,467,000 in 2015 and 2014, respectively. Future minimum rent payments at December 31 are as follows:

2016	\$ 35,866,561
2017	23,747,574
2018	5,954,504
2019	2,652,655
2020	1,408,614
Future minimum lease payments	\$ 69,629,908

Johnson Memorial Hospital
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The management agreements include management fees consisting of base management fees, subordinated management fees and incentive management fees. These amounts are based on the net patient service revenue of the individual facilities. The agreements also call for quality, royalty and capital improvement fees to be paid to the Managers at amounts based on the occupancy of each facility. Management, quality, royalty and capital improvement fees are to be paid only if sufficient working capital exists on an aggregate basis for each group of homes managed by individual Managers. Management and other fees approximated \$13,108,000 and \$18,026,000 in 2015 and 2014, respectively, and are included in purchased services on the statements of revenues, expenses and changes in net position.

The Hospital has granted a security interest in all patient accounts receivable approximating \$24,248,059 at December 31, 2015 for the 33 facilities operated by a single Manager.

In 2013, the Hospital entered into an agreement with a third-party to monitor quality measures at all of its nursing facilities. Expenses incurred under this agreement in 2015 and 2014 approximated \$3,864,000 and \$4,454,000, respectively. These expenses are included with expenses of Extended Services as they pertain to the operations of the nursing facilities.

Note 11: Pension Plan

The Hospital contributes to a defined-contribution pension plan covering substantially all employees. Pension expense is recorded for the amount of the Hospital's required contributions, determined in accordance with the terms of the plan. The plan is administered by a board of trustees appointed by the Hospital Board. The plan provides retirement and death benefits to plan members and their beneficiaries. Benefit provisions are contained in the plan document and were established and can be amended by action of the Hospital's governing body. The Hospital is required to match 50% of the employee contribution up to 3% of employee's compensation. In addition, the Hospital may make a discretionary contribution as determined by the Hospital Board. Hospital expense related to the employer contributions to the plan was \$900,490 and \$908,925 for 2015 and 2014, respectively.

Note 12: Contingencies

Litigation

In the normal course of business, the Hospital is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Hospital's commercial insurance. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Johnson Memorial Hospital
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Note 13: Patient Protection and Affordable Care Act

The Patient Protection and Affordable Care Act (PPACA) will substantially reform the United States health care system. The legislation impacts multiple aspects of the health care system, including many provisions that change payments from Medicare, Medicaid and insurance companies. Starting in 2014, the legislation requires the establishment of health insurance exchanges, which will provide individuals without employer provided health care coverage the opportunity to purchase insurance. It is anticipated that some employers currently offering insurance to employees will opt to have employees seek insurance coverage through the insurance exchanges. It is possible that the reimbursement rates paid by insurers participating in the insurance exchanges may be substantially different than rates paid under current health insurance products.

Another significant component of the PPACA is the expansion of the Medicaid program to a wide range of newly eligible individuals. In anticipation of this expansion, payments under certain existing programs, will be substantially decreased. Each state's participation in an expanded Medicaid program is optional. In 2015, the state of Indiana expanded its Medicaid program with the implementation of the Healthy Indiana Plan (HIP) 2.0. Under HIP 2.0, the first \$2,500 of beneficiary medical expenses are reimbursed from special savings accounts funded partly by the state and partly by the beneficiary. The impact of Medicaid expansion under the HIP 2.0 program on the overall reimbursement to the Hospital cannot be quantified at this point.

The PPACA is extremely complex and may be difficult for the federal government and each state to implement. While the overall impact of the PPACA cannot currently be estimated, it is possible that it will have a negative impact on the Hospital's net patient service revenue. Additionally, it is possible the Hospital will experience payment delays and other operational challenges during PPACA's implementation.

Johnson Memorial Hospital
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December 31, 2015 and 2014

Note 14: Blended Component Unit

The financial statements include the blended component unit accounts of the Foundation and Resource Management as discussed in Note 1. The following is a financial summary of the component units as of December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Current assets	\$ 551,317	\$ 147,793
Noncurrent cash and investments	<u>8,722,219</u>	<u>1,646,532</u>
Total assets	<u>\$ 9,273,536</u>	<u>\$ 1,794,325</u>
Total liabilities	\$ 8,265,601	\$ 3,018
Net position	<u>1,007,935</u>	<u>1,791,307</u>
Total liabilities and net position	<u>\$ 9,273,536</u>	<u>\$ 1,794,325</u>
Revenues	\$ (330,795)	\$ 178,175
Expenses	<u>(452,577)</u>	<u>(175,373)</u>
Change in net position	<u>(783,372)</u>	<u>2,802</u>
Net position, beginning of year	<u>1,791,307</u>	<u>1,788,505</u>
Net position, end of year	<u>\$ 1,007,935</u>	<u>\$ 1,791,307</u>

Independent Auditor's Report 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
Johnson Memorial Hospital
Franklin, Indiana

We have audited, in accordance with 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 Johnson Memorial Hospital (Hospital), a component unit of Johnson County, Indiana, which comprise the balance sheet as of December 31, 2015, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 29, 2016. The financial statements of Johnson County Health Foundation and JMH Resource Management Company, Inc., which are included in the Hospital's financial statements, were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

Management of the Hospital is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit of the financial statements, we considered the Hospital's internal control to determine the 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free of 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 determination of financial statement amounts. 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*.

We noted certain matters that we reported to the Hospital's management in a separate letter dated April 29, 2016.

Purpose of this Report

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

BKD, LLP

Indianapolis, Indiana
April 29, 2016

Supplementary Information

Johnson Memorial Hospital
A Component Unit of Johnson County, Indiana
Detailed Balance Sheet Information
December 31, 2015

Assets

	2015					
	Hospital and Physician Services	Extended Services	JMH Resource Management Company, Inc.	Foundation	Eliminations	Total
Current Assets						
Cash and cash equivalents	\$ 4,834,738	\$ 4,460,841	\$ 260,232	\$ 161,290	\$ -	\$ 9,717,101
Patient accounts receivable, net of allowance; Hospital - \$2,878,642 and Extended Services - \$4,680,704	12,120,634	25,797,346	-	-	-	37,917,980
Other receivables	3,870,049	10,764,742	-	1,101	(2,354,038)	12,281,854
Estimated amounts due from third-party payers	990,450	-	-	-	-	990,450
Supplies	1,452,912	-	-	-	-	1,452,912
Prepaid expenses and other	26,259,917	2,471	-	128,694	(24,894,475)	1,496,607
Total current assets	<u>49,528,700</u>	<u>41,025,400</u>	<u>260,232</u>	<u>291,085</u>	<u>(27,248,513)</u>	<u>63,856,904</u>
Noncurrent Cash and Investments						
Internally designated	41,055,404	-	7,446,533	-	-	48,501,937
Held by Foundation	-	-	-	1,275,686	-	1,275,686
	<u>41,055,404</u>	<u>-</u>	<u>7,446,533</u>	<u>1,275,686</u>	<u>-</u>	<u>49,777,623</u>
Capital Assets, net	<u>52,310,010</u>	<u>380,424</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,690,434</u>
Investment in Affiliate	<u>71,375</u>	<u>1,523,787</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,595,162</u>
Total assets	<u>\$ 142,965,489</u>	<u>\$ 42,929,611</u>	<u>\$ 7,706,765</u>	<u>\$ 1,566,771</u>	<u>\$ (27,248,513)</u>	<u>\$ 167,920,123</u>

Liabilities and Net Position

Current Liabilities						
Accounts payable	\$ 1,206,767	\$ 49,875,654	\$ 8,241,167	\$ 5,409	\$ (24,894,475)	\$ 34,434,522
Accrued expenses	3,087,969	8,943,616	-	19,025	(2,354,038)	9,696,572
Total current liabilities	<u>4,294,736</u>	<u>58,819,270</u>	<u>8,241,167</u>	<u>24,434</u>	<u>(27,248,513)</u>	<u>44,131,094</u>
Net Position						
Net investment in capital assets	52,310,010	380,424	-	-	-	52,690,434
Unrestricted	86,360,743	(16,270,083)	(534,402)	1,542,337	-	71,098,595
Total net position	<u>138,670,753</u>	<u>(15,889,659)</u>	<u>(534,402)</u>	<u>1,542,337</u>	<u>-</u>	<u>123,789,029</u>
Total liabilities and net position	<u>\$ 142,965,489</u>	<u>\$ 42,929,611</u>	<u>\$ 7,706,765</u>	<u>\$ 1,566,771</u>	<u>\$ (27,248,513)</u>	<u>\$ 167,920,123</u>

Johnson Memorial Hospital
A Component Unit of Johnson County, Indiana
Detailed Balance Sheet Information
December 31, 2014

	2014				
	Hospital and Physician Services	Extended Services	Foundation	Eliminations	Total
Assets					
Current Assets					
Cash and cash equivalents	\$ 3,713,129	\$ 2,763,068	\$ 29,033	\$ -	\$ 6,505,230
Patient accounts receivable, net of allowance:					
Hospital - \$4,894,905 and Extended Services - \$2,177,569	10,335,518	25,881,175	-	-	36,216,693
Other receivables	3,697,855	10,606,775	-	(2,354,038)	11,950,592
Estimated amounts due from third-party payers	3,094,230	-	-	-	3,094,230
Supplies	1,460,066	-	-	-	1,460,066
Prepaid expenses and other	11,405,966	-	118,760	(10,002,977)	1,521,749
Total current assets	<u>33,706,764</u>	<u>39,251,018</u>	<u>147,793</u>	<u>(12,357,015)</u>	<u>60,748,560</u>
Noncurrent Cash and Investments					
Internally designated	45,472,986	-	-	-	45,472,986
Held by Foundation	-	-	1,646,532	-	1,646,532
	<u>45,472,986</u>	<u>-</u>	<u>1,646,532</u>	<u>-</u>	<u>47,119,518</u>
Capital Assets, Net	<u>46,420,405</u>	<u>570,635</u>	<u>-</u>	<u>-</u>	<u>46,991,040</u>
Investment in Affiliate	<u>71,375</u>	<u>1,765,434</u>	<u>-</u>	<u>-</u>	<u>1,836,809</u>
Total assets	<u>\$ 125,671,530</u>	<u>\$ 41,587,087</u>	<u>\$ 1,794,325</u>	<u>\$ (12,357,015)</u>	<u>\$ 156,695,927</u>
Liabilities and Net Position					
Current Liabilities					
Accounts payable	\$ 1,726,441	\$ 44,279,703	\$ 3,018	\$ (10,002,977)	\$ 36,006,185
Accrued expenses	4,121,006	6,792,747	-	(2,354,038)	8,559,715
Total liabilities	<u>5,847,447</u>	<u>51,072,450</u>	<u>3,018</u>	<u>(12,357,015)</u>	<u>44,565,900</u>
Net Position					
Net investment in capital assets	46,420,405	570,635	-	-	46,991,040
Unrestricted	73,403,678	(10,055,998)	1,791,307	-	65,138,987
Total net position	<u>119,824,083</u>	<u>(9,485,363)</u>	<u>1,791,307</u>	<u>-</u>	<u>112,130,027</u>
Total liabilities and net position	<u>\$ 125,671,530</u>	<u>\$ 41,587,087</u>	<u>\$ 1,794,325</u>	<u>\$ (12,357,015)</u>	<u>\$ 156,695,927</u>

Johnson Memorial Hospital
A Component Unit of Johnson County, Indiana
Detailed Statement of Revenues, Expenses and
Changes in Net Position Information
Year Ended December 31, 2015

	2015					
	Hospital	Physician Services	Extended Services	JMH Resource Management	Foundation	Total
Operating Revenues						
Net patient service revenue, net of provision for uncollectible accounts; Hospital - \$5,331,463 and Extended Services - \$5,874,518	\$ 60,785,093	\$ 9,420,587	\$ 217,355,969	\$ -	\$ -	\$ 287,561,649
Other operating revenues	1,813,019	-	39,659,670	-	-	41,472,689
Total operating revenues	<u>62,598,112</u>	<u>9,420,587</u>	<u>257,015,639</u>	<u>-</u>	<u>-</u>	<u>329,034,338</u>
Operating Expenses						
Salaries and wages	24,931,710	8,821,814	753,924	-	-	34,507,448
Employee benefits	6,079,094	970,400	25,185	-	-	7,074,679
Purchased services	3,154,088	107,378	146,537,739	-	-	149,799,205
Medical supplies and drugs	9,413,878	726,764	12,535,185	-	-	22,675,827
Facility equipment costs	5,062,484	1,261,218	43,243,565	-	-	49,567,267
Hospital assessment fee	2,317,798	-	-	-	-	2,317,798
Other	2,375,583	1,172,157	40,885,373	294,608	-	44,727,721
Depreciation and amortization	4,537,041	-	190,212	-	-	4,727,253
Total operating expenses	<u>57,871,676</u>	<u>13,059,731</u>	<u>244,171,183</u>	<u>294,608</u>	<u>-</u>	<u>315,397,198</u>
Operating Income (Loss)	<u>4,726,436</u>	<u>(3,639,144)</u>	<u>12,844,456</u>	<u>(294,608)</u>	<u>-</u>	<u>13,637,140</u>
Nonoperating Revenues (Expenses)						
Investment income	(640,357)	-	-	(239,794)	(91,001)	(971,152)
Interest expense	(2,177)	-	-	-	-	(2,177)
Other nonoperating expense	(852,352)	5,512	-	-	(157,969)	(1,004,809)
Total nonoperating revenues (expenses)	<u>(1,494,886)</u>	<u>5,512</u>	<u>-</u>	<u>(239,794)</u>	<u>(248,970)</u>	<u>(1,978,138)</u>
Excess (Deficiency) of Revenues Over Expenses Before Transfers	3,231,550	(3,633,632)	12,844,456	(534,402)	(248,970)	11,659,002
Transfers	<u>19,248,752</u>	<u>-</u>	<u>(19,248,752)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Position	<u>\$ 22,480,302</u>	<u>\$ (3,633,632)</u>	<u>\$ (6,404,296)</u>	<u>\$ (534,402)</u>	<u>\$ (248,970)</u>	<u>\$ 11,659,002</u>

Johnson Memorial Hospital
A Component Unit of Johnson County, Indiana
Detailed Statement of Revenues, Expenses and
Changes in Net Position Information
Year Ended December 31, 2014

	2014				
	Hospital	Physician Services	Extended Services	Foundation	Total
Operating Revenues					
Net patient service revenue, net of provision for uncollectible accounts: Hospital - \$7,329,565 and Extended Services - \$4,500,124	\$ 63,213,499	\$ 8,950,274	\$ 203,015,196	\$ -	\$ 275,178,969
Other operating revenues	1,918,415	-	41,467,827	-	43,386,242
Total operating revenues	<u>65,131,914</u>	<u>8,950,274</u>	<u>244,483,023</u>	<u>-</u>	<u>318,565,211</u>
Operating Expenses					
Salaries and wages	25,198,589	8,497,716	645,986	-	34,342,291
Employee benefits	6,651,709	934,749	65,919	-	7,652,377
Purchased services	3,213,442	38,143	138,576,081	-	141,827,666
Medical supplies and drugs	9,634,567	726,762	11,478,682	-	21,840,011
Facility equipment costs	5,160,696	1,196,709	41,281,958	-	47,639,363
Hospital assessment fee	5,017,023	-	-	-	5,017,023
Other	2,161,626	1,174,710	41,105,248	-	44,441,584
Depreciation and amortization	4,511,581	-	110,957	-	4,622,538
Total operating expenses	<u>61,549,233</u>	<u>12,568,789</u>	<u>233,264,831</u>	<u>-</u>	<u>307,382,853</u>
Operating Income (Loss)	<u>3,582,681</u>	<u>(3,618,515)</u>	<u>11,218,192</u>	<u>-</u>	<u>11,182,358</u>
Nonoperating Revenues (Expenses)					
Investment income	300,019	-	-	178,175	478,194
Interest expense	(11,286)	-	-	-	(11,286)
Other nonoperating expense	(409,953)	11,024	-	(175,373)	(574,302)
Total nonoperating revenues (expenses)	<u>(121,220)</u>	<u>11,024</u>	<u>-</u>	<u>2,802</u>	<u>(107,394)</u>
Excess (Deficiency) of Revenues Over Expenses Before Transfers	3,461,461	(3,607,491)	11,218,192	2,802	11,074,964
Transfers	<u>20,543,214</u>	<u>-</u>	<u>(20,543,214)</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Position	<u>\$ 24,004,675</u>	<u>\$ (3,607,491)</u>	<u>\$ (9,325,022)</u>	<u>\$ 2,802</u>	<u>\$ 11,074,964</u>