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November 17, 2021

Board of Trustees
Memorial Hospital of Logansport
1101 Michigan Avenue
Logansport, IN 46947

We have reviewed the audit report of the Memorial Hospital of Logansport, which was opined upon by Blue & Co., LLC, Independent Public Accountants, for the period January 1, 2020 to December 31, 2020. Per the *Report of Independent Auditors*, the financial statements included in the report present fairly the financial condition of the Memorial Hospital of Logansport as of December 31, 2020, 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, CPA
State Examiner



MEMORIAL HOSPITAL OF LOGANSPORT

CONSOLIDATED FINANCIAL STATEMENTS

AND

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2020 AND 2019

CPAs / ADVISORS



MEMORIAL HOSPITAL OF LOGANSPORT

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REPORT OF INDEPENDENT AUDITORS

Board of Trustees
Memorial Hospital of Logansport
Logansport, Indiana

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Memorial Hospital of Logansport (the Hospital), a component unit of Cass County, which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of operations and changes in net position, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 *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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

Board of Trustees
Memorial Hospital of Logansport
Logansport, Indiana

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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Hospital as of December 31, 2020 and 2019, and the results of its operations, changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CHANGE IN ACCOUNTING PRINCIPLES

As described in Notes 2 and 3 to the consolidated financial statements, the Hospital early adopted Governmental Accounting Standards Board Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Our opinion is not modified with respect to this matter.

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 consolidated financial statements. Such information, although not a part of the consolidated financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the consolidated 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 consolidated financial statements, and other knowledge we obtained during our audits of the consolidated 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.

Blue & Co., LLC

Indianapolis, Indiana
August 30, 2021

MEMORIAL HOSPITAL OF LOGANSPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2020 AND 2019 (WITH COMPARATIVE TOTALS FOR 2018)

Management's discussion and analysis of Memorial Hospital of Logansport's (the Hospital) financial performance provides an overview of the Hospital's financial activities for the year ended December 31, 2020 with comparable information for 2019 and 2018. Please read it in conjunction with the Hospital's consolidated financial statements and accompanying notes to the consolidated financial statements included in this report.

USING THIS ANNUAL REPORT

This annual report consists of two parts — *management's discussion and analysis*, and the *basic consolidated 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 "*basic consolidated financial statements*" section of this report includes a series of consolidated financial statements, which provide information about the activities of the Hospital as a whole. The Consolidated Balance Sheets reveal the assets, liabilities and net position of the Hospital on December 31, 2020 and 2019 while the Consolidated Statements of Operations and Changes in Net Position summarize the revenues and expenses, including nonoperating items for the years then ended. The Consolidated Statements of Cash Flows summarize the change in cash and cash equivalents as a result of operating, investing, and financing activities during the years. The Notes to the Consolidated Financial Statements disclose additional information addressed within the body of the consolidated financial statements.

The Hospital is a not-for-profit acute care hospital, established in 1925. It is a county-owned facility and operates under the Indiana County Hospital Law. Operations include a state-licensed, 83 bed acute care medical center offering a full range of inpatient and outpatient medical services including 24-hour emergency care, surgical, specialty, medical imaging, cancer, family birth centers and physician clinics. The Cass County Commissioners appoints the Board of Trustees of the Hospital. Although the Hospital is a governmental entity, the Hospital does not receive taxpayer support for operations.

MEMORIAL HOSPITAL OF LOGANSPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2020 AND 2019 (WITH COMPARATIVE TOTALS FOR 2018)

The mission of the Hospital is "Your Health...Our Passion". The Hospital's vision is that it "will exceed the needs and desires of our community – as an employer, as a provider, and as a health advocate." Logansport Memorial Hospital lives this mission and vision by continually striving to improve the delivery of care and the overall health of the community, by creating and fostering strong partnerships both within the Hospital campus and the surrounding communities, as well as focusing on improving internal processes to better the patient, physician, employee, and visitor experience while providing excellent care. The Hospital carries out its mission by focusing on its values as follows:

- Human Dignity
- Integrity
- Justice
- Service Excellence
- Stewardship

This management's discussion and analysis will include some of the highlights related to the operational and financial performance for 2020.

FINANCIAL HIGHLIGHTS

- Overall, net position increased by approximately \$600,000 during 2020 while operating loss was approximately \$13.8 million compared to 2019 where the net position increased approximately \$7.3 million while operating income was approximately \$7.8 million. Operations declined due to volume decreases associated with the COVID-19 pandemic and challenges implementing a new medical records, billing, and accounts receivable system.
- Assets limited to use decreased by approximately \$6.7 million in 2020 and increased \$11.7 million in 2019. Long-term debt and interest rate swap liability decreased by approximately \$2.3 million in 2020 and increased by approximately \$10.4 million in 2019. The Hospital issued bonds in 2019 to primarily purchase a new electronic medical records and billing system. As of December 31, 2020, approximately \$3.4 million of the 2019 bond proceeds were included in assets limited as to use as the funds had not been yet expended.
- Net capital assets increased by approximately \$5.9 million in 2020 and \$2.0 million in 2019. The Hospital purchased some of their new electronic medical records and billing system in 2019 and the remainder in 2020.
- Total operating revenues decreased by \$12.0 million in 2020 and increased \$12.3 million in 2019. The Hospital's operating margin for 2020 was equal to -15.0% compared to 7.2% for 2019. The factors impacting this will be discussed in greater detail herein.

MEMORIAL HOSPITAL OF LOGANSPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2020 AND 2019 (WITH COMPARATIVE TOTALS FOR 2018)

USING THIS ANNUAL REPORT

The following pages will highlight certain consolidated financial statements of the Hospital and include a brief analysis. The consolidated financial statements of the Hospital explain the results of operations. The consolidated statement of operations and changes in net position summarizes the effect of the year's activities, while the consolidated balance sheet summarizes the Hospital's net resources at the beginning and end of the year. The consolidated balance sheet includes all assets and liabilities of the Hospital and provides information about the nature and amounts of investments in resources and obligations to its creditors. It also provides the basis for computing rate of return, evaluating the capital structure of the Hospital and assessing the liquidity and financial flexibility of the Hospital.

The consolidated statement of operations and changes in net position includes all the current year's revenue and expenses. The next financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the Hospital's cash flows from operating activities, capital, and financing activities, and investing activities, as well as providing information of the sources and uses of cash during the year.

THE HOSPITAL'S CONSOLIDATED BALANCE SHEET

Table 1: A summary of the Hospital and component units consolidated balance sheet as of December 31, 2020, 2019 and 2018 is presented below (in thousands):

	2020	2019	Change 2020 - 2019	2018	Change 2019 - 2018
Assets					
Current assets	\$ 62,401	\$ 51,152	\$ 11,249	\$ 46,683	\$ 4,469
Assets limited to use (funded depreciation, escrow funds, contributions)	17,778	24,461	(6,683)	12,716	11,744
Capital assets	52,590	46,705	5,885	44,662	2,043
Pledges receivable	-0-	100	(100)	251	(151)
Other assets	279	279	-0-	861	(582)
Total assets	\$ 133,048	\$ 122,697	\$ 10,351	\$ 105,173	\$ 17,524
Liabilities					
Current liabilities	\$ 26,801	\$ 14,730	\$ 12,071	\$ 14,863	\$ (133)
Long-term debt and interest rate swap liability	22,404	24,719	(2,315)	14,368	10,351
Total liabilities	49,205	39,449	9,756	29,231	10,218
Net position					
Net investment in capital assets	27,729	19,339	8,390	28,277	(8,938)
Restricted	4,254	11,669	(7,415)	1,256	10,413
Unrestricted	51,860	52,240	(380)	46,409	5,831
Total net position	83,843	83,248	595	75,942	7,306
Total liabilities and net position	\$ 133,048	\$ 122,697	\$ 10,351	\$105,173	\$ 17,524

MEMORIAL HOSPITAL OF LOGANSPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2020 AND 2019 (WITH COMPARATIVE TOTALS FOR 2018)

Overall, total assets increased by approximately \$10.4 million in 2020 and \$17.5 million in 2019, primarily due to the EMR implementation. Total current liabilities increased by approximately \$12.1 million during 2020 primarily due to Medicare advanced payments received as part of the CARES Act.

OPERATING RESULTS AND CHANGES IN THE HOSPITAL'S NET POSITION

Table 2: A summary of the Hospital and component units consolidated statement of operations and changes in net position for 2020, 2019, and 2018 is presented below (in thousands):

	2020	2019	Change 2020 - 2019	2018	Change 2019 - 2018
Operating revenues					
Net patient service revenue	\$ 94,197	\$ 106,314	\$ (12,117)	\$ 93,599	\$ 12,715
Other revenue	3,090	2,960	130	3,414	(454)
Total operating revenues	97,287	109,274	(11,987)	97,013	12,261
Operating expenses					
Salaries and benefits	50,816	45,543	5,273	43,450	2,093
Supplies and other	56,035	51,175	4,860	45,818	5,357
Depreciation and amortization	4,267	4,726	(459)	4,813	(87)
Total expenses	111,118	101,444	9,674	94,081	7,363
Operating income (loss)	(13,831)	7,830	(21,661)	2,932	4,898
Total non-operating revenue (expense)	14,426	(524)	14,950	(322)	(202)
Change in net position	595	7,306	(6,711)	2,610	4,696
Net position, beginning of year	83,248	75,942	7,306	73,332	2,610
Net position, end of year	\$ 83,843	\$ 83,248	\$ 595	\$ 75,942	\$ 7,306

OPERATING AND FINANCIAL PERFORMANCE

Revenue

Net patient revenue in the current year decreased by approximately \$12.1 million as compared to 2019 and the 2019 net patient revenue increased by approximately \$12.7 million compared to 2018.

Volumes

The Hospital overall experienced decreases in both outpatient and inpatient volumes during 2020 due to the COVID-19 pandemic and suspension of elective procedures for part of the year. Inpatient days declined from approximately 5,500 in 2019 to 5,100 in 2020. Outpatient volumes and visits increased during 2019 as the Cancer Care Center began operations midway through 2018.

MEMORIAL HOSPITAL OF LOGANSPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2020 AND 2019 (WITH COMPARATIVE TOTALS FOR 2018)

Expenses

The increase in operating expenses of approximately \$9.7 million in 2020 was primarily attributable to the increase in staffing and costs for employees and increases in the cost of supplies to help address the COVID-19 pandemic.

Non-operating Revenues (Expenses)

Non-operating revenues (expenses) increased by approximately \$15.0 million in 2020 primarily related to COVID-19 relief funding provided by the federal government.

Overall Results

The Hospital, Foundation (one of the Hospital's blended component units), and Health Professional Resources (HPR) (also a blended component unit of the Hospital) experienced negative results during 2020 and positive results in 2019.

For the year ended 2020, the change in net position was approximately \$600,000 compared to approximately \$7.3 million in 2019.

SOURCES OF REVENUE

During 2020, the Hospital derived substantially all of its revenue from patient service and other related activities. A significant portion of the patient service revenue is from patients that are insured by government health programs, principally Medicare and Medicaid, which are highly regulated and subject to frequent and substantial changes. Revenues from the Medicare and Medicaid programs represented 62%, 61%, and 63% of the Hospital's gross revenue in 2020, 2019, and 2018.

Following is a table of major sources of gross patient revenues for 2020, 2019 and 2018.

Payor Mix	2020	2019	2018
Medicare	41%	40%	41%
Medicaid	21%	21%	22%
Commercial insurance	18%	20%	17%
Blue Cross/Anthem	17%	16%	17%
Self pay	3%	3%	3%
Total	100%	100%	100%

MEMORIAL HOSPITAL OF LOGANSPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2020 AND 2019 (WITH COMPARATIVE TOTALS FOR 2018)

THE HOSPITAL'S STATEMENT OF CASH FLOWS

Table 3: A summary of the Hospital and component units consolidated statement of cash flows for 2020, 2019 and 2018 is presented below (in thousands):

	2020	2019	Change 2020 - 2019	2018	Change 2019 - 2018
Cash flow from activities					
Operating activities	\$ (5,161)	\$ 9,987	\$ (15,148)	\$ 4,993	\$ 4,994
Noncapital financing activities	14,661	196	14,465	318	(122)
Capital and related financing activities	(13,434)	2,879	(16,313)	(7,009)	9,888
Investing activities	(70)	52	(122)	197	(145)
Net change in cash and cash equivalents	<u>\$ (4,004)</u>	<u>\$ 13,114</u>	<u>\$ (17,118)</u>	<u>\$ (1,501)</u>	<u>\$ 14,615</u>

The Hospital has experienced negative cash flows from operating activities for 2020 and positive cash flows for 2019 and 2018, totaling approximately \$9.8 million of positive cash flow from 2018 to 2020.

CAPITAL ASSETS

Net capital assets increased by approximately \$5.9 million in 2020 and \$2.0 million in 2019. The majority of the acquisitions were attributable to the new electronic medical records and billing system. The change in capital assets is outlined in the following table (in thousands):

	2020	2019	Change 2020 - 2019	2018	Change 2019 - 2018
Land and improvements	\$ 1,856	\$ 1,856	\$ -0-	\$ 1,887	\$ (31)
Buildings	65,419	65,009	410	66,939	(1,930)
Equipment	40,626	40,184	442	47,446	(7,262)
Total capital assets	107,901	107,049	852	116,272	(9,223)
Less accumulated depreciation	(72,353)	(68,090)	(4,263)	(73,272)	5,182
Construction in progress	17,042	7,746	9,296	1,662	6,084
Net capital assets	<u>\$ 52,590</u>	<u>\$ 46,705</u>	<u>\$ 5,885</u>	<u>\$ 44,662</u>	<u>\$ 2,043</u>

LONG-TERM DEBT

The Hospital had approximately \$24.8 million in short and long-term debt at year-end 2020, versus approximately \$27.4 million in 2019.

More detailed information about both capital assets and long-term debt is presented in the Notes to the Consolidated Financial Statements.

MEMORIAL HOSPITAL OF LOGANSPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2020 AND 2019 (WITH COMPARATIVE TOTALS FOR 2018)

ECONOMIC OUTLOOK

In March 2020, the World Health Organization declared COVID-19 a pandemic. The continued spread of COVID-19, or any similar outbreaks in the future, may adversely impact the local, regional, national, and global economies. The extent to which COVID-19 impacts the Hospital's operating results is dependent on the breadth and duration of the pandemic and could be affected by other factors management is not currently able to predict. Potential impacts include, but are not limited to, additional costs for responding to COVID-19, shortages of healthcare personnel, shortages of clinical supplies, increased demand for services, delays, or loss of or reduction to revenue, and investment portfolio declines.

Management believes that the healthcare industry and the Hospital's operating margins will continue to be under pressure as a result of COVID-19, the 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.

CONCLUSION AND CONTACT INFORMATION

Memorial Hospital of Logansport intends to operate in a fashion that meets its community, operational, and financial obligations. This report is designed to provide a general overview of the Hospital and its finances to our stakeholders. Please address questions or requests regarding this financial report to the Chief Financial Officer, at Memorial Hospital of Logansport, 1101 Michigan Avenue, Logansport IN, 46947.

MEMORIAL HOSPITAL OF LOGANSPORT

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2020 AND 2019

	ASSETS	
	2020	2019
Current assets		
Cash and cash equivalents	\$ 34,836,719	\$ 31,434,657
Patient accounts receivable	23,344,328	15,753,636
Current portion of pledges receivable	158,516	210,952
Supplies and other current assets	4,061,059	3,752,858
Total current assets	62,400,622	51,152,103
Assets limited as to use		
Internally designated	13,523,752	12,791,945
Held by trustee	3,393,369	10,658,729
Restricted by contributors and grantors	860,811	1,010,272
Total assets limited as to use	17,777,932	24,460,946
Capital assets		
Land and construction in progress	17,920,487	8,624,674
Depreciable capital assets, net	34,669,803	38,080,656
Total capital assets	52,590,290	46,705,330
Pledges receivable	-0-	100,000
Other assets	279,198	279,198
Total assets	\$ 133,048,042	\$ 122,697,577

See accompanying notes to consolidated financial statements.

MEMORIAL HOSPITAL OF LOGANSPORT

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2020 AND 2019

LIABILITIES AND NET POSITION

	2020	2019
Current liabilities		
Current portion of long-term debt and capital leases	\$ 2,778,727	\$ 2,780,643
Accounts payable and accrued expenses	11,054,195	8,267,599
Accrued payroll and related liabilities	2,883,422	2,496,861
Estimated third-party payor settlements	10,084,803	1,184,740
Total current liabilities	26,801,147	14,729,843
Non current liabilities		
Interest rate swap agreements	320,869	134,032
Long-term debt, net of current portion	22,083,000	24,586,169
Total liabilities	49,205,016	39,450,044
Net position		
Net investment in capital assets	27,728,563	19,338,518
Restricted		
Held by trustee	3,393,369	10,658,729
Expendable for specific operating activities	524,135	673,596
Nonexpendable permanent endowments	336,676	336,676
Unrestricted	51,860,283	52,240,014
Total net position	83,843,026	83,247,533
Total liabilities and net position	\$ 133,048,042	\$ 122,697,577

See accompanying notes to consolidated financial statements.

MEMORIAL HOSPITAL OF LOGANSPORT

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET POSITION YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Operating revenues		
Net patient revenue (net of provisions for bad debt)	\$ 94,197,474	\$ 106,313,930
Other	3,090,147	2,959,584
Total operating revenues	97,287,621	109,273,514
Operating expenses		
Salaries and benefits	50,816,122	45,542,575
Medical and other professional fees	10,940,691	9,410,336
Medical supplies and drugs	15,030,270	15,500,587
Other supplies	1,588,605	1,765,191
Depreciation and amortization	4,267,081	4,726,252
Rent and leases	1,423,247	1,021,733
Utilities and postage	1,397,336	1,404,863
Maintenance and repairs	796,613	598,686
Insurance	867,502	890,251
Hospital assessment fee	2,552,985	2,877,468
Purchased services and other	21,438,067	17,706,167
Total operating expenses	111,118,519	101,444,109
Operating income (loss)	(13,830,898)	7,829,405
Nonoperating revenues (expenses)		
Investment income	653,288	1,191,348
Interest expense	(788,175)	(823,262)
COVID-19 grant funds	14,678,345	-0-
Noncapital grants and contributions	136,908	285,657
Loss on sale of equipment	-0-	(769,139)
Other expenses	(253,975)	(408,863)
Total nonoperating revenues (expenses)	14,426,391	(524,259)
Change in net position	595,493	7,305,146
Net position beginning of the year	83,247,533	75,942,387
Net position end of year	<u>\$ 83,843,026</u>	<u>\$ 83,247,533</u>

See accompanying notes to consolidated financial statements.

MEMORIAL HOSPITAL OF LOGANSPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Operating activities		
Cash received from patients and third party payors	\$ 86,573,056	\$ 103,769,446
Cash paid to employees for salaries and benefits	(50,429,561)	(46,647,186)
Cash paid to vendors for goods and services	(44,394,419)	(49,594,474)
Other operating receipts	3,090,147	2,459,584
Net cash flows from operating activities	(5,160,777)	9,987,370
Noncapital financing activities		
COVID-19 grant funds	14,678,345	-0-
Noncapital grants, contributions, and other	(17,813)	196,145
Net cash flows from noncapital financing activities	14,660,532	196,145
Capital and related financing activities		
Capital grants and contributions	152,436	237,910
Acquisition of capital assets	(10,293,171)	(7,521,165)
Principal paid on long-term debt	(2,985,645)	(2,018,134)
Proceeds from the issuance of long-term debt	480,560	13,000,000
Interest paid on long-term debt	(788,175)	(823,262)
Proceeds from sale of capital assets	-0-	3,402
Net cash flows from capital and related financing activities	(13,433,995)	2,878,751
Investing activities		
Loss on interest rate swap	186,837	216,157
Investment income	653,288	1,191,348
Purchases of investments in assets whose use is limited	(1,315,154)	(1,761,661)
Proceeds from sale of investments in assets whose use is limited	405,247	405,842
Net cash flows from investing activities	(69,782)	51,686
Net change in cash and cash equivalents	(4,004,022)	13,113,952
Cash and cash equivalents at beginning of year	43,804,162	30,690,210
Cash and cash equivalents at end of year	<u>\$ 39,800,140</u>	<u>\$ 43,804,162</u>
Reconciliation of cash and cash equivalents to the statement of net position		
Cash and cash equivalents in current assets	\$ 34,836,719	\$ 31,434,657
Cash and cash equivalents in assets limited as to use	4,963,421	12,369,505
Total cash and cash equivalents	<u>\$ 39,800,140</u>	<u>\$ 43,804,162</u>

See accompanying notes to consolidated financial statements.

MEMORIAL HOSPITAL OF LOGANSPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Reconciliation of operating income to net cash flows from operating activities		
Operating income	\$ (13,830,898)	\$ 7,829,405
Adjustments to reconcile operating income to net cash flows from operating activities		
Depreciation and amortization	4,267,081	4,726,252
Provision for bad debts	10,792,759	11,142,679
Changes in:		
Patient accounts receivable	(18,383,451)	(13,681,716)
Supplies, other current assets and other assets	(220,618)	886,892
Accounts payable and accrued expenses	2,927,726	562,919
Accrued payroll and related liabilities	386,561	(1,104,611)
Estimated third-party payor settlements	8,900,063	(374,450)
Net cash flows from operating activities	<u>\$ (5,160,777)</u>	<u>\$ 9,987,370</u>
Noncash financing activities		
Property additions included in accounts payable	\$ 141,130	\$ 20,680

See accompanying notes to consolidated financial statements.

MEMORIAL HOSPITAL OF LOGANSFORT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Memorial Hospital of Logansport (the Hospital) is a county-owned facility and operates under the Indiana County Hospital Law, Indiana Code 16-22. The Hospital provides acute care including inpatient, outpatient, and emergency care as well as long-term care to Cass County and other surrounding counties.

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

The Board of County Commissioners of Cass County, upon written request of the Hospital Board of Trustees created the Memorial Hospital of Logansport Association (the Association). The Association, which is included in the Hospital, was created pursuant to the provisions of Indiana Code 16-22-6 for the exclusive purpose of financing and constructing hospital facilities for the Hospital. The Association is a component unit which has no assets, no liabilities and conducts no operating activities.

Pursuant to the provision of long-term care, beginning in 2012, the Hospital owns the operations of two long-term care facilities by way of an arrangement with the manager 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.

Related thereto, the Hospital entered into lease agreements with the long-term care facilities, collectively referred to as the Lessors, to lease the facilities managed by the manager. Concurrently, the Hospital entered into agreements with the manager to manage the above-leased facilities. As part of the agreements, the Hospital will pay the manager a management fee to continue managing the facilities on behalf of the Hospital in accordance with the terms of the agreements. These management fees consist of base management fees, subordinated management fees, and quarterly incentive payments. The agreements expire on July 1, 2022. 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 120 days written notice.

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Other current assets and liabilities related to long-term care include certain reimbursement receivables, accrued fees, and expenses, and working capital balances related to the long-term care facilities.

The accompanying consolidated financial statements present the activities of the Hospital (primary government) and its significant 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. Blended component units, although legally separate entities, are in substance part of the government's operations and exist solely to provide services for the government; data from these units is consolidated with data of the primary government.

The consolidated financial statements of the Hospital are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business-type activities of Cass County attributable to the transactions of the Hospital and its blended component units. They do not purport to, and do not, present fairly the financial position of Cass County as of December 31, 2020 and 2019, the changes in its financial position or its cash flows for the years then ended.

Blended Component Units

Memorial Hospital Foundation of Cass County, Inc. d/b/a Memorial Hospital Foundation (the Foundation), is a significant blended component unit of the Hospital. The purpose of the Foundation is to assist in raising contributions from the community in order to enhance the ability of the Hospital to service the health needs of the patients it serves. The Hospital appoints a voting majority of the Foundation's Board 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 is substantively the same.

Health Professional Resources, Inc., (HPR) is a significant blended component unit wholly owned by the Hospital. HPR operates a community pharmacy and provides food service for a local county mental health organization. The primary government appoints a voting majority of HPR's Board and is able to impose its will. Although it is legally separate from the Hospital, HPR is reported as if it were a part of the Hospital because the two boards are substantively the same.

All significant intercompany transactions have been eliminated in the consolidated financial statements.

Complete financial statements for these components can be requested from Hospital administration located at Memorial Hospital of Logansport, 1101 Michigan Avenue, Logansport IN, 46947.

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Use of Estimates

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

Enterprise Fund Accounting

The Hospital utilizes the enterprise fund method of accounting whereby revenue and expenses are recognized on the accrual basis of accounting. Substantially all revenues and expenses are subject to accrual.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits and investments in liquid debt instruments with an original maturity of three months 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 cash equivalents.

Assets Limited as to Use

Assets whose use is limited are stated at fair value in the consolidated financial statements. These assets include investments designated by the Hospital's Board for internal purposes and investments held by trustees for debt service and capital improvements. These investments consist primarily of cash and cash equivalents, certificates of deposit, money market deposit accounts, mutual funds, and government securities. Amounts restricted by contributors or grantors consist of amounts designated to be restricted for a particular purpose in accordance with donor or grantor agency stipulations. Investment income, to the extent not capitalized, is reported as nonoperating revenue in the consolidated statements of operations and changes in net position.

Investments: Debt and Equity Securities and Other Investments

Debt and equity securities are reported at fair value. Debt securities are defined as securities backed by the full faith and credit of the United States Treasury, fully insured, or guaranteed by the United States or any United States government agency.

Nonparticipating certificates of deposit, demand deposits, and similar nonparticipating negotiable instruments that are not reported as cash and cash equivalents are reported as investments at cost.

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Investments in affiliated companies are reported using the equity method of accounting, or at cost, as applicable.

Investment income, including changes in the fair value of investments, is reported as non-operating revenues in the consolidated statements of operations and changes in net position.

Capital Assets and Depreciation

Capital assets such as property and equipment are stated at cost and include expenditures for new additions and other costs added which exceed \$1,000 and meet certain useful life thresholds. Maintenance, repairs, and minor renewals are expensed as incurred. The Hospital provides for depreciation of property and equipment using annual rates, which are sufficient to depreciate the cost of depreciable assets over their estimated useful lives using the straight-line method.

The range of useful lives in computing depreciation is as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land improvements	\$1,000	Straight-line	20 years
Buildings	\$1,000	Straight-line	30 years
Equipment	\$1,000	Straight-line	3-15 years

For depreciated assets, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Costs of Borrowing

Except for capital assets acquired through gifts, contributions or capital grants, interest cost on borrowed funds, as well as interest earned on those funds, during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. There was no capitalized interest in 2020 and 2019.

Patient Accounts Receivable and Revenues

Patient revenues and the related accounts receivable are recorded at the time services to patients are performed and are reported based on gross charges net of certain deductions from those charges. Management estimates an allowance for doubtful accounts receivable based on an evaluation of historical losses, current economic conditions, and other factors unique to the Hospital's customer base.

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The Hospital is a provider of services to patients entitled to coverage under Titles XVIII and XIX of the Health Insurance Act (Medicare and Medicaid). The Hospital is reimbursed for Medicare and Medicaid inpatient services based on a fixed price per discharge for each diagnosis related grouping. The Hospital is reimbursed for Medicare and Medicaid outpatient services based on a fixed price per clinical unit of service. Differences between the total program billed charges and the payments received are reflected as deductions from revenue. 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.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. Although these audits may result in some changes in these amounts, they are not expected to have a material effect on the accompanying consolidated financial statements.

These programs have audited the year-end cost report filed with the Medicare program through December 31, 2016, with differences reflected as deductions from revenue. Amounts for unresolved cost reports for 2016 through 2020 as well as other allowances are reflected in estimated third-party settlements on the consolidated balance sheets. Differences from the prior year estimates related to the cost report settlements have been deemed immaterial by management for financial statement disclosure.

The Hospital also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, 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. Patient charges under these programs, on which no interim payments have been received, are included in patient accounts receivable at the estimated net realizable value of such charges.

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 hospitals as reflected in the Hospital assessment fee expense reported in the consolidated statements of operations and changes in net position.

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 2020 and 2019, the Hospital recognized hospital assessment fee expense of approximately \$2,553,000 and \$2,877,000, respectively, which resulted in increased Medicaid reimbursement.

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Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Amounts deemed to be charity care are reported as deductions from revenues.

Of the Hospital's total expenses reported, an estimated \$880,000 and \$691,000 arose from providing services to charity patients during the years ended December 31, 2020 and 2019, respectively.

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

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 expendable net position includes assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital, including amounts deposited with trustees as required by revenue note indentures. Unrestricted net position is remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Restricted Net Position

Expendable net position restricted for specific operating activities are available for the following purposes:

	2020	2019
Charity care	\$ 279,857	\$ 281,397
Capital campaign	157,093	308,331
Capital projects fund	47,324	46,964
Other	39,861	36,904
Total	<u>\$ 524,135</u>	<u>\$ 673,596</u>

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.

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Restricted nonexpendable net position as of December 31, 2020 and 2019 represent the principal amounts of permanent endowments, restricted to investment in perpetuity. Investment earnings from the permanent endowments are expendable to support the activities of the Hospital.

Operating Revenues and Expenses

The Hospital's consolidated statements of operations and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services — the Hospital's principal activity. Non-exchange revenues including grants, and contributions received for purposes other than capital asset acquisition are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Grants and Contributions

From time to time, the Hospital receives grants from Cass County and the State of Indiana 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 either for 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.

Pledges Receivable

The Foundation records unconditional promises to give (pledges) at fair value at the date the promise is received. Management has determined that the allowance for uncollectible pledges and the allowance to net present value the pledges to their estimated net realizable value are not material. These allowances have not been recorded in the accompanying consolidated financial statements.

Compensated Absences

Short-Term Disability

The Hospital utilizes a short-term disability benefit program. The Hospital self-funds their short-term disability program as expenses are incurred.

Personal Leave

Hospital employees who work at least 32 hours per pay period earn personal leave at the rate of 72 to 144 hours per year based upon the number of years of service. Unused personal leave may be accumulated to a maximum of 240 hours. Accumulated personal leave is paid to employees through a lump sum cash payment upon separation of employment.

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Personal leave is accrued when incurred and reported as a liability.

Federal or State Income Taxes

The Hospital is a governmental instrumentality organized under Title 16, Article 22, of the Indiana statutes. The Internal Revenue Service recognizes the Hospital as exempt from federal income tax as a charitable, educational, and scientific organization as described under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Memorial Hospital Foundation is also a 501(c)(3) not-for-profit organization. Health Professional Resources, Inc. is an Indiana corporation. Income taxes for HPR for those that are currently due and for deferred taxes have been deemed immaterial by management for separate disclosure within these consolidated financial statements.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Hospital (and its component units) and recognize a tax liability if the Hospital or its component units 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 and has concluded that as of December 31, 2020 and 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying consolidated financial statements. The Hospital and its component units are subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Where applicable, these entities have filed their federal and state income tax returns for periods through December 31, 2019. 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).

Advertising

The Hospital uses advertising for recruiting and to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. The total amount of advertising expense was approximately \$896,000 and \$1,003,000 during 2020 and 2019, respectively, and are included within purchased services and other in the consolidated statements of operations and changes in net position.

Risk Management

The Hospital is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; job related illnesses or injuries to employees; medical benefits to employees and dependents. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims from these risks have not exceeded commercial insurance coverage for the past several years.

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Other Revenue

Other revenue consists of pharmacy sales from one of the component units of approximately \$1,426,000 and \$1,916,000 for 2020 and 2019 after intercompany eliminations. The remainder of other revenue is generated by the Hospital and consists of cafeteria sales, revenue associated with renting and cleaning the medical office buildings, electronic health record incentive payments, and other.

Reclassifications

Certain amounts from 2019 have been reclassified in order to conform to the 2020 presentation. There were no changes to net position as a result of these reclassifications, as previously reported.

Subsequent Events

The Hospital evaluated events or transactions occurring subsequent to the consolidated balance sheet date for recognition and disclosure in the accompanying consolidated financial statements through the date the consolidated financial statements were available to be issued which is August 30, 2021.

Recently Issued Accounting Standards

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*, which requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. In May 2020, the GASB issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postponed the effective date of GASB Statement No. 87, *Leases*, by 18 months. GASB Statement No. 87 will be effective for periods beginning after June 15, 2021.

In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. In May 2020, the GASB issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postponed the effective date of GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, by one year. GASB Statement No. 89 will be effective for periods beginning after December 15, 2020.

The Hospital is presently evaluating the impact of these standards.

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2. CHANGE IN ACCOUNTING PRINCIPLES

During 2020, the Hospital implemented GASB Statement No. 90, *Majority Equity Interests*. This Statement addressed accounting and financial reporting issues related to a majority equity interest in a legally separate organization and certain component units. Generally, this Statement requires governmental entities, who have a majority equity interest that meets the definition of an investment, to measure the investment using the equity method. There was no impact to these consolidated financial statements as a result of adoption of this Statement.

During 2020, the Hospital early implemented GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. This statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution other postemployment benefit plan, or another employee benefit plan, if the primary government performs the duties that a governing board typically would perform, the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board. This statement also requires that the financial burden criterion of GASB Statement No. 84, *Fiduciary Activities*, be applicable to only defined benefit pension plans and defined benefit other postemployment benefit plans that are administered through trusts that meet the criteria of GASB Statement No. 67, *Financial Reporting for Pension Plans*, or GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively. Prior to the adoption of this Statement, the assets, net position, and activity related to the Hospital's 403(b) Plan (Pension Plan) was included in the Hospital's consolidated financial statements. The Pension Plan did not meet the financial accountability and financial burden criteria for fiduciary activities to be included as component units under this Statement. The changes adopted to conform to the provisions of this Statement were applied retroactively by restating the consolidated financial statements for 2019 as described in Note 3.

3. RESTATEMENT RELATED TO GASB STATEMENT 97

The accompanying consolidated financial statements as of and for the year ended December 31, 2019, have been restated to reflect the Hospital's adoption of GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The adoption resulted in the Pension Plan that was presented in the pension trust funds column of the statements of fiduciary net position and accompanying statements of changes in fiduciary net position being removed from the consolidated financial statements. The 2019 statement of fiduciary net position previously included approximately \$29,604,000 in total assets, which consisted primarily of mutual funds. The 2019 statement of changes in fiduciary net position presented a net increase in net position of approximately \$4,238,000. As such, disclosures related to the Pension Plan have also been removed from the consolidated financial statements. There was no impact on the other consolidated financial statements as a result of the restatement.

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4. FAIR VALUE MEASUREMENTS

The Hospital's investments are reported at fair value in the accompanying consolidated balance sheets. Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction, which requires an entity to maximize the use of observable inputs when measuring fair value.

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.

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 and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2020 and 2019. The Hospital does not have any level 3 assets or liabilities.

- *Mutual funds*: Valued at the daily closing price as reported by the fund. Mutual funds held by the Hospital are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Hospital are deemed to be actively traded.
- *Equities*: Valued at the closing price reported on the active market on which the individual securities are traded.

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- *Interest rate swap agreements:* Valued using pricing models that are derived principally from observable market data based on discounted cash flows and interest rate yield curves at quoted intervals for the full term of the swap.

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2020 and 2019 are as follows:

	2020			
	Total	Level 1	Level 2	Level 3
Assets				
Assets whose use is limited				
Mutual funds				
Intermediate-term bond	\$ 2,785,336	\$ 2,785,336	\$ -0-	\$ -0-
Large value	1,665,837	1,665,837	-0-	-0-
Total mutual funds	<u>\$ 4,451,173</u>	<u>\$ 4,451,173</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Equities				
Basic materials	\$ 45,566	\$ 45,566	\$ -0-	\$ -0-
Communication services	88,403	88,403	-0-	-0-
Consumer defensive	193,723	193,723	-0-	-0-
Energy	66,555	66,555	-0-	-0-
Financial services	222,598	222,598	-0-	-0-
Healthcare	85,496	85,496	-0-	-0-
Industrials	84,525	84,525	-0-	-0-
Real estate	92,360	92,360	-0-	-0-
Technology	184,084	184,084	-0-	-0-
Other	82,590	82,590	-0-	-0-
Total equities	<u>\$ 1,145,900</u>	<u>\$ 1,145,900</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Money market deposit accounts	4,963,421			
Accrued interest	28,776			
Certificates of deposit *	7,188,662			
Total assets whose use is limited	<u><u>\$ 17,777,932</u></u>			
Liabilities				
Interest rate swap agreements	<u>\$ 320,869</u>	<u>\$ -0-</u>	<u>\$ 320,869</u>	<u>\$ -0-</u>

* Certificates of deposit are reported at contract value

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	2019			
	Total	Level 1	Level 2	Level 3
Assets				
Assets whose use is limited				
Mutual funds				
Intermediate-term bond	\$ 1,823,788	\$ 1,823,788	\$ -0-	\$ -0-
Large value	2,424,653	2,424,653	-0-	-0-
Total mutual funds	<u>\$ 4,248,441</u>	<u>\$ 4,248,441</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Equities				
Basic materials	\$ 42,504	\$ 42,504	\$ -0-	\$ -0-
Communication services	94,613	94,613	-0-	-0-
Consumer defensive	173,459	173,459	-0-	-0-
Energy	60,791	60,791	-0-	-0-
Financial services	118,199	118,199	-0-	-0-
Healthcare	102,348	102,348	-0-	-0-
Industrials	48,768	48,768	-0-	-0-
Real estate	81,553	81,553	-0-	-0-
Technology	186,007	186,007	-0-	-0-
Utilities	110,290	110,290	-0-	-0-
Total equities	<u>\$ 1,018,532</u>	<u>\$ 1,018,532</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Money market deposit accounts	12,369,505			
Accrued interest	41,503			
Certificates of deposit *	6,782,965			
Total assets whose use is limited	<u>\$ 24,460,946</u>			
Assets				
Interest rate swap agreements	<u>\$ 134,032</u>	<u>\$ -0-</u>	<u>\$ 134,032</u>	<u>\$ -0-</u>

* Certificates of deposit are reported at contract value

The Hospital's policy is to recognize transfers between levels as of the end of the reporting period. The Hospital did not have any transfers between levels as of December 31, 2020 and 2019.

Realized gains and losses and interest and dividend income are reported in the consolidated statements of operations and changes in net position as a component of investment income. Net realized gains and losses and interest and dividend income approximated \$234,000 and \$361,000 during 2020 and 2019, respectively.

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The unrealized gains and losses are included in earnings for the period attributable to the change in unrealized gains and losses relating to assets held as of December 31, 2020 and 2019. During 2020 and 2019, the Hospital recognized unrealized gains of approximately \$420,000 and \$831,000, respectively, which is included in the consolidated statement of operations and changes in net position as a component of investment income.

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

5. ASSETS LIMITED AS TO USE

The composition of assets limited as to use includes the following as of December 31:

	2020	2019
Internally designated		
Funded depreciation		
Money market deposit accounts	\$ 1,570,052	\$ 1,710,776
Investments	11,924,924	11,039,666
Accrued interest receivable	28,776	41,503
Total funded depreciation	13,523,752	12,791,945
Held by trustee		
Money market deposit accounts	3,393,369	10,658,729
Restricted by contributors and grantors		
Investments	860,811	1,010,272
Total assets limited as to use	<u>\$ 17,777,932</u>	<u>\$ 24,460,946</u>

6. DEPOSITS AND INVESTMENTS

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 Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

Investments are carried generally at fair market value. Net realized gains and losses on security transactions are determined on the specific identification cost basis. Funded depreciation investments consist of certificates of deposits, mutual funds, and equities.

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As of December 31, 2020 and 2019, 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, 2020					
	Carrying Amount	Investment Matures (in years)			
		Less than 1	1-5	6-10	More than 10
Certificates of deposit	\$ 7,188,662	\$ 2,374,502	\$ 4,814,160	\$ -0-	\$ -0-
Mutual funds	4,451,173	4,451,173	-0-	-0-	-0-
Equities	1,145,900	1,145,900	-0-	-0-	-0-
	<u>\$ 12,785,735</u>	<u>\$ 7,971,575</u>	<u>\$ 4,814,160</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
December 31, 2019					
	Carrying Amount	Investment Matures (in years)			
		Less than 1	1-5	6-10	More than 10
Certificates of deposit	\$ 6,782,965	\$ 2,674,336	\$ 4,108,629	\$ -0-	\$ -0-
Mutual funds	4,248,441	4,248,441	-0-	-0-	-0-
Equities	1,018,532	1,018,532	-0-	-0-	-0-
	<u>\$ 12,049,938</u>	<u>\$ 7,941,309</u>	<u>\$ 4,108,629</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 – Statutes authorize the Hospital to invest in interest bearing deposit accounts, passbook savings accounts, certificates of deposit, money market funds, mutual funds, pooled fund investments, securities backed by the full faith and credit of the United States Treasury and repurchase agreements. The statutes require that repurchase agreements be fully collateralized by U.S. Government or U.S. Government Agency obligations. It is the Hospital's policy to invest only in securities that meet the ratings requirements set by state statute.

Concentration of credit risk – The Hospital places no limit on the amount it may invest in any one issuer. The Hospital believes that it is not exposed to any significant credit risk on investments.

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Deposits and investments consist of the following as of December 31:

	2020	2019
Carrying amount		
Deposits	\$ 39,800,140	\$ 43,804,162
Accrued interest	28,776	41,503
Investments	12,785,735	12,049,938
	<u>\$ 52,614,651</u>	<u>\$ 55,895,603</u>
Included in the balance sheet captions		
Cash and cash equivalents	\$ 34,836,719	\$ 31,434,657
Internally designated	13,523,752	12,791,945
Held by trustee for debt service	3,393,369	10,658,729
Restricted by contributors and grantors	860,811	1,010,272
	<u>\$ 52,614,651</u>	<u>\$ 55,895,603</u>

7. ACCOUNTS RECEIVABLE AND PAYABLE

Patient accounts receivable and accounts payable (including accrued expenses) reported as current assets and liabilities by the Hospital at year-end consisted of these amounts as of December 31, 2020 and 2019:

	2020	2019
Patient accounts receivable		
Receivable from patients and their insurance carriers	\$ 36,357,424	\$ 27,747,643
Receivable from Medicare	30,486,870	8,532,383
Receivable from Medicaid	15,698,630	12,241,243
Total patient accounts receivable	82,542,924	48,521,269
Less allowance for contractual agreements	(44,115,395)	(21,121,381)
Less allowance for doubtful accounts	(15,083,201)	(11,646,252)
Patient accounts receivable, net	<u>\$ 23,344,328</u>	<u>\$ 15,753,636</u>
Accounts payable and accrued expenses		
Payable to suppliers	\$ 11,054,195	\$ 8,267,599
Payable to employees (including payroll taxes and benefits)	2,883,422	2,496,861
Total accounts payable and accrued expenses	<u>\$ 13,937,617</u>	<u>\$ 10,764,460</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

8. CAPITAL ASSETS

A summary of capital assets at December 31, 2020 and 2019 follows:

	Balance December 31, 2019	Additions	Retirements	Transfers	Balance December 31, 2020
Land	\$ 878,337	\$ -0-	\$ -0-	\$ -0-	\$ 878,337
Land improvements	977,581	-0-	-0-	-0-	977,581
Building and improvements	65,009,011	410,000	-0-	-0-	65,419,011
Equipment	40,183,977	446,228	(4,477)	-0-	40,625,728
Construction in progress	7,746,337	9,295,813	-0-	-0-	17,042,150
Total capital assets	114,795,243	10,152,041	(4,477)	-0-	124,942,807
Less accumulated depreciation					
Land improvements	(556,426)	(47,612)	-0-	-0-	(604,038)
Building and improvements	(38,897,882)	(1,855,724)	-0-	-0-	(40,753,606)
Equipment	(28,635,605)	(2,363,745)	4,477	-0-	(30,994,873)
Total accumulated depreciation	(68,089,913)	(4,267,081)	4,477	-0-	(72,352,517)
Capital assets, net	\$ 46,705,330	\$ 5,884,960	\$ -0-	\$ -0-	\$ 52,590,290

	Balance December 31, 2018	Additions	Retirements	Transfers	Balance December 31, 2019
Land	\$ 878,337	\$ -0-	\$ -0-	\$ -0-	\$ 878,337
Land improvements	1,008,763	-0-	(31,182)	-0-	977,581
Building and improvements	66,939,293	604,430	(2,558,961)	24,249	65,009,011
Equipment	47,446,106	652,729	(8,090,885)	176,027	40,183,977
Construction in progress	1,661,927	6,284,686	-0-	(200,276)	7,746,337
Total capital assets	117,934,426	7,541,845	(10,681,028)	-0-	114,795,243
Less accumulated depreciation					
Land improvements	(523,656)	(56,284)	23,514	-0-	(556,426)
Building and improvements	(38,665,301)	(2,079,228)	1,846,647	-0-	(38,897,882)
Equipment	(34,083,191)	(2,590,740)	8,038,326	-0-	(28,635,605)
Total accumulated depreciation	(73,272,148)	(4,726,252)	9,908,487	-0-	(68,089,913)
Capital assets, net	\$ 44,662,278	\$ 2,815,593	\$ (772,541)	\$ -0-	\$ 46,705,330

The estimated cost to complete outstanding construction projects at December 31, 2020 approximate \$14.4 million, primarily related to additional payments owed on the new medical record and billing system and obstetrician and gynecologist unit renovation. This will be paid from unrestricted cash and investments and approximately \$3.4 million of assets limited as to use – held by trustee.

MEMORIAL HOSPITAL OF LOGANSPOUT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

9. PLEDGES RECEIVABLE

In 2017, the Foundation began a capital campaign to solicit funds in support of the Cancer Care Center project completed by the Hospital. Pledges receivable represent unconditional amounts committed by donors that have not been received by the Foundation. Pledges receivable at December 31, 2020 are expected to be realized in the following periods:

	2020	2019
Receivable in less than one year	\$ 158,516	\$ 210,952
Receivable in one to three years	-0-	100,000
Total unconditional promises to give	\$ 158,516	\$ 310,952

10. LONG-TERM DEBT

The terms and due dates of the Hospital's long-term debt at December 31, 2020 and 2019 are as follows:

- a. 2013A tax-exempt revenue bonds, principal maturing in varying amounts due May 1, 2038, collateralized by property and equipment with a net book value of approximately \$28,554,000 and \$30,372,000 at December 31, 2020 and 2019. Interest rate is variable at 1.39% as of December 31, 2020. An associated interest rate swap has fixed rate of 2.77% with a liability fair value of approximately \$219,000 and \$30,000 as of December 31, 2020 and 2019, respectively, the effects of which are immaterial to the financial statements as a whole.
- b. 2013B tax-exempt revenue bonds, principal maturing in varying amounts due May 1, 2024, collateralized by property and equipment with a net book value of approximately \$28,554,000 and \$30,372,000 at December 31, 2020 and 2019. Interest rate is variable at 1.26% as of December 31, 2020. An associated interest rate swap has fixed rate of 2.39% with a liability fair value of approximately \$102,000 and \$104,000 as of December 31, 2020 and 2019, respectively, the effects of which are immaterial to the financial statements as a whole.
- c. 2019A tax exempt revenue bonds, principal maturing in varying amounts due March 1, 2034, collateralized by property and equipment with a net book value of approximately \$28,554,000 and \$30,372,000 at December 31, 2020 and 2019, in addition to the assets held by Trustee of approximately \$3,393,000. Interest rate is fixed at 3.0%.
- d. 2016 equipment loan payable, fixed interest rate of 3.4%, with monthly principal and interest payments totaling \$27,241, due August 2, 2021, collateralized by certain Hospital assets with an approximate net book value of \$300,000 and \$600,000 at December 31, 2020 and 2019.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

- e. During 2020, the Hospital entered into an installment contract to purchase real estate for approximately \$410,000, with payments of approximately \$5,000 a month and an imputed interest rate of 4%. In addition, the Hospital entered into a capital lease for approximately \$70,000, the effects of which are immaterial the financial statements. The real estate and capital lease are collateralized by real estate and equipment with an approximate net book value of \$375,000 at December 31, 2020.

The Hospital and the Indiana Financing Authority (the Authority) entered into an agreement with Huntington Public Capital Corporation (Huntington) whereby Huntington purchased from the Authority all the Series 2013A and 2013B tax-exempt revenue bonds (2013 Bonds) in a private placement. The agreement provided that Huntington would hold the Series 2013 Bonds during the Initial Mode Period which runs through May 2023. During the Initial Mode Period, the Series 2013 Bonds would bear interest at the Initial Rate Mode (LIBOR plus 32 basis points plus the applicable spread of 150 basis points for the 2013A Bonds and LIBOR plus 32 basis points plus the applicable spread of 130 basis points for the 2013B Bonds) for 120 months with principal and interest payments determined using a 25-year amortization schedule for the 2013A Series revenue bonds and a 20-year amortization schedule for the 2013B Series revenue bonds.

At the end of the Initial Mode Period, the Series 2013 bonds may be converted to another interest rate mode and remarketed to another bondholder or holders or renewed for another term period with Huntington. The Series 2013 Bonds could be converted to another interest rate mode to accommodate market conditions at that time. If the Series 2013 Bonds could not be remarketed at the end of the Initial Mode Period, the Hospital would be subject to payment of the remaining principal of approximately \$6,926,000.

The Hospital and the Authority entered into an agreement with Siemens Public, Inc. (Siemens) whereby Siemens purchased from the Authority all the Series 2019 tax-exempt revenue bonds (2019 Bonds) in a private placement. The agreement provided that Siemens would hold the Series 2019 Bonds during the Initial Mode Period which runs through March 2034.

Under the terms of the revenue bond indenture, the Hospital is required to maintain certain deposits with a trustee. Such deposits are included with restricted cash and investments in the consolidated balance sheet. The revenue bond indenture also places limits on the incurrence of additional borrowings and requires that the Hospital satisfy certain measures of financial performances as long as the bonds are outstanding. The Hospital is also required to meet certain financial covenants. The Hospital believes it is in compliance with all covenants as of December 31, 2020 and 2019. If the Hospital was to be in default under the Series 2013 or Series 2019 Bonds, the interest rate on the Bonds could be increased by an additional 3%.

The 2013 and 2019 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 2013 and 2019 Series Bonds, dependent on the amount of time outstanding until maturity.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

A summary of long-term debt as of December 31, 2020 and 2019 includes the following:

	Balance at December 31, 2019	Additional borrowings	Payments	Balance at December 31, 2020	Current portion	Long-term portion
2016 Equipment loan - direct borrowing	\$ 528,812	\$ -0-	\$ 368,125	\$ 160,687	160,687	\$ -0-
2013A Bonds - direct placement	7,232,000	-0-	306,000	6,926,000	314,000	6,612,000
2013B Bonds - direct placement	6,606,000	-0-	1,469,000	5,137,000	1,497,000	3,640,000
2019 Bonds - direct placement	13,000,000	-0-	699,000	12,301,000	720,000	11,581,000
Installment note and capital lease	-0-	480,560	143,520	337,040	87,040	250,000
	<u>\$ 27,366,812</u>	<u>\$ 480,560</u>	<u>\$ 2,985,645</u>	<u>\$ 24,861,727</u>	<u>\$ 2,778,727</u>	<u>\$ 22,083,000</u>

	Balance at December 31, 2018	Additional borrowings	Payments	Balance at December 31, 2019	Current portion	Long-term portion
2016 Equipment loan - direct borrowing	\$ 831,946	\$ -0-	\$ 303,134	\$ 528,812	\$ 313,643	\$ 215,169
2013A Bonds - direct placement	7,521,000	-0-	289,000	7,232,000	306,000	6,926,000
2013B Bonds - direct placement	8,032,000	-0-	1,426,000	6,606,000	1,462,000	5,144,000
2019 Bonds - direct placement	-0-	13,000,000	-0-	13,000,000	699,000	12,301,000
	<u>\$ 16,384,946</u>	<u>\$ 13,000,000</u>	<u>\$ 2,018,134</u>	<u>\$ 27,366,812</u>	<u>\$ 2,780,643</u>	<u>\$ 24,586,169</u>

Scheduled principal and interest payments on long-term debt at December 31, 2020 are as follows:

Years Ending December 31,	2016 Equipment Loan - Direct							
	Bonds - Direct Placements		Borrowing		Other		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 2,511,000	\$ 669,408	\$ 160,687	\$ 2,153	\$ 107,040	\$ 16,852	\$ 2,778,727	\$ 688,413
2022	2,622,000	601,383	-0-	-0-	60,000	11,500	\$ 2,682,000	\$ 612,883
2023	2,582,000	532,103	-0-	-0-	60,000	8,500	\$ 2,642,000	\$ 540,603
2024	1,740,000	468,468	-0-	-0-	60,000	5,500	\$ 1,800,000	\$ 473,968
2025	1,161,000	430,168	-0-	-0-	50,000	2,500	\$ 1,211,000	\$ 432,668
2026-2030	5,003,000	1,353,052	-0-	-0-	-0-	-0-	\$ 5,003,000	\$ 1,353,052
Thereafter	8,745,000	856,752	-0-	-0-	-0-	-0-	\$ 8,745,000	\$ 856,752
	<u>\$ 24,364,000</u>	<u>\$ 4,911,334</u>	<u>\$ 160,687</u>	<u>\$ 2,153</u>	<u>\$ 337,040</u>	<u>\$ 44,852</u>	<u>\$ 24,861,727</u>	<u>\$ 4,958,339</u>

The future interest payments related to the 2013 bonds are based upon two interest rate swap agreements, the effects of which are immaterial to the financial statements.

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

11. NET PATIENT REVENUE

Net patient revenue consists of the following on December 31:

	2020	2019
Inpatient revenue	\$ 40,316,944	\$ 33,236,266
Outpatient revenue	184,816,051	206,780,166
Long term care	11,298,725	12,411,421
Gross patient revenue	236,431,720	252,427,853
Contractual allowances	(129,671,458)	(133,335,779)
Charity care	(1,770,658)	(1,635,465)
Bad debt expense	(10,792,759)	(11,142,679)
Deductions from revenue	(142,234,875)	(146,113,923)
Net patient revenue	\$ 94,197,474	\$ 106,313,930

12. EMPLOYEE HEALTH PLAN

The Hospital is self-insured for employee health claims. A third-party administrator processes the claims for the Hospital. The plan has annual reinsurance coverage starting at a specific level of \$150,000 per individual with no lifetime maximum reimbursement per covered person. The Hospital maintains an estimated liability for the amount of claims incurred but not reported. The Hospital maintains reinsurance including a stop loss for specific incident claims over a stipulated amount per year. Substantially all employees are covered for major medical benefits.

Claim expenditures and liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

Changes in the balance of claim liabilities during the past two years are as follows:

	2020	2019
Unpaid claims, beginning of year	\$ 895,016	\$ 1,298,012
Incurred claims and costs	6,710,921	6,815,195
Claim payments	(6,575,015)	(7,218,191)
Unpaid claims, end of year	\$ 1,030,922	\$ 895,016

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

13. PENSION PLAN

Plan Description

The Hospital has a defined contribution pension plan, the Memorial Hospital of Logansport 403(b) Matching Plan (403(b) Plan), as authorized by Indiana Code 16-22-3-11, which is administered by the Hospital. The contribution requirements of plan members are established by the written agreement between the Hospital Board of Trustees and ING National Trust, ING Financial Advisors, LLC, and ING Life Insurance and Annuity Company, as the plan administrators. If an employee chooses to participate in the 403(b) portion of the plan, the Hospital will match employee contributions up to 2% of gross wages. Hospital contributions to the plan were approximately \$426,000 and \$305,000 for 2020 and 2019, respectively, and reflected as salaries and benefits in the consolidated statements of operations and changes in net position.

14. CONCENTRATIONS OF CREDIT RISK

The Hospital is located in Logansport, Indiana. The Hospital grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. Gross accounts receivable and revenues from self-pay and third-party payors were as follows on December 31 and for the year then ended:

	Receivables		Revenues	
	2020	2019	2020	2019
Medicare	37%	23%	41%	40%
Medicaid	19%	26%	21%	21%
Blue Cross/Anthem	14%	12%	18%	20%
Commercial	17%	14%	17%	16%
Self-pay	13%	25%	3%	3%
	100%	100%	100%	100%

15. COMMITMENTS AND CONTINGENCIES

Litigation

The Hospital is involved in litigation and regulatory investigations 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 or cash flows.

MEMORIAL HOSPITAL OF LOGANSPORT

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Malpractice Insurance

The Indiana Medical Malpractice Act, IC 34-18 (the Act) provides a maximum recovery \$1,800,000. The Act requires the Hospital to maintain medical malpractice liability insurance in the amount of at least \$500,000 per occurrence (\$10,000,000 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.

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, there is no related accrual recorded as of December 31, 2020 and 2019. It is reasonably possible that this estimate could change materially in the near term.

The Hospital purchases premium insurance to cover its exposure of \$500,000 per event and \$10,000,000 aggregate liability for Hospital and HPR operations.

Operating Leases

The Hospital leases various equipment and facilities under operating leases expiring at various dates through June 2025. Cancelable and non-cancelable operating lease expense was approximately \$1,423,000 and \$1,022,000 during 2020 and 2019, respectively. The following is a schedule by year of future minimum lease payments under non-cancelable operating leases as of December 31, 2020, that have initial or remaining lease terms in excess of one year.

Year Ending December 31,	
2021	\$ 344,730
2022	337,330
2023	300,330
2024	169,004
2025	3,625
	<u>\$ 1,155,019</u>

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

16. BLENDED COMPONENT UNITS

The Hospital's consolidated financial statements include the accounts of its blended component units. Separate financial statements related to these component units may be obtained by contacting Hospital management. Below is condensed financial information related to HPR and the Foundation as of and for the year ended December 31, 2020:

	2020		
	HPR	Foundation	Total
Cash and cash equivalents	\$ 303,191	\$ 113,692	\$ 416,883
Patient accounts receivable, net	182,455	-0-	182,455
Supplies and other current assets	262,768	158,516	421,284
Total current assets	748,414	272,208	1,020,622
Assets limited as to use	-0-	2,184,377	2,184,377
Capital assets	49,215	724,976	774,191
Total assets	\$ 797,629	\$ 3,181,561	\$ 3,979,190
Accounts payable and accrued expenses	\$ 23,003	\$ 163	\$ 23,166
Due to Hospital	68,624	-0-	68,624
Total current liabilities	91,627	163	91,790
Net position	706,002	3,181,398	3,887,400
Total liabilities and net position	\$ 797,629	\$ 3,181,561	\$ 3,979,190
Total operating revenue	\$ 1,426,040	\$ -0-	\$ 1,426,040
Total non-operating income (loss)	21,766	(100,449)	(78,683)
Total revenue	1,447,806	(100,449)	1,347,357
Salaries and benefits	310,626	-0-	310,626
Other professional fees	10,808	7,406	18,214
Medical supplies and drugs	1,061,477	-0-	1,061,477
Depreciation	13,205	10,735	23,940
Rent and leases	27,867	-0-	27,867
Purchased services and other	111,406	-0-	111,406
Total expenses	1,535,389	18,141	1,553,530
Change in net position	\$ (87,583)	\$ (118,590)	\$ (206,173)
Cash flows from activities			
Operating	\$ (134,145)	\$ (7,243)	\$ (141,388)
Noncapital financing	20,840	(196,554)	(175,714)
Capital and related financing activities	-0-	152,436	152,436
Investing	926	(15,462)	(14,536)
Net change in cash and cash equivalents	\$ (112,379)	\$ (66,823)	\$ (179,202)

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Below is condensed financial information related to HPR and the Foundation as of and for the year ended December 31, 2019:

	2019		
	HPR	Foundation	Total
Cash and cash equivalents	\$ 415,570	\$ 180,515	\$ 596,085
Patient accounts receivable, net	124,382	-0-	124,382
Supplies and other current assets	247,740	210,952	458,692
Total current assets	787,692	391,467	1,179,159
Assets limited as to use	-0-	2,072,810	2,072,810
Pledges receivable	-0-	100,000	100,000
Capital assets	62,420	735,711	798,131
Total assets	\$ 850,112	\$ 3,299,988	\$ 4,150,100
Accounts payable and accrued expenses	\$ 11,982	\$ -0-	\$ 11,982
Due to Hospital	44,545	-0-	44,545
Total current liabilities	56,527	-0-	56,527
Net position	793,585	3,299,988	4,093,573
Total liabilities and net position	\$ 850,112	\$ 3,299,988	\$ 4,150,100
Total operating revenue	\$ 1,904,214	\$ -0-	\$ 1,904,214
Total non-operating income (loss)	(25,897)	144,010	118,113
Total revenue	1,878,317	144,010	2,022,327
Salaries and benefits	293,395	-0-	293,395
Other professional fees	10,019	5,430	15,449
Medical supplies and drugs	1,288,198	-0-	1,288,198
Depreciation	6,564	10,711	17,275
Rent and leases	30,400	-0-	30,400
Purchased services and other	146,547	-0-	146,547
Total expenses	1,775,123	16,141	1,791,264
Distributions to shareholders	500,000	-0-	500,000
Change in net position	\$ (396,806)	\$ 127,869	\$ (268,937)
Cash flows from activities			
Operating	\$ 31,983	\$ (22,123)	\$ 9,860
Noncapital financing	(532,627)	(145,641)	(678,268)
Capital and related financing activities	(58,222)	237,910	179,688
Investing	6,730	5,043	11,773
Net change in cash and cash equivalents	\$ (552,136)	\$ 75,189	\$ (476,947)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

17. COVID-19

In March 2020, the World Health Organization declared Coronavirus (COVID-19) a pandemic. The continued spread of COVID-19, or any similar outbreaks in the future, may continue to adversely impact the local, regional, national, and global economies. The extent to which COVID-19 impacts the Hospital's operating results is dependent on the breadth and duration of the pandemic and could be affected by other factors management is not currently able to predict. Impacts include, but are not limited to, additional costs for responding to COVID-19, delays, loss of, or reduction to, revenue, contributions and funding, and investment portfolio declines. Management believes the Hospital is taking appropriate actions to respond to the pandemic, however, the full impact is unknown and cannot be reasonably estimated at the date the financial statements were available to be issued.

During 2020, Provider Relief Funds (PRF) authorized under the Coronavirus Aids, Relief, and Economic Security (CARES) Act were distributed to healthcare providers impacted by the outbreak of the COVID-19 pandemic. PRF amounts are recognized to the extent the Hospital meets the terms and conditions. The Hospital received and recognized PRF of approximately \$14,678,000 as COVID-19 grant funds in nonoperating revenues (expenses) in the consolidated statements of operations and changes in net position for the year ended December 31, 2020. Compliance with the terms and conditions may also be subject to future government review and interpretation as they are emerging and uncertain at the time the consolidated financial statements were available to be issued. There can be no assurance that regulatory authorities will not challenge the Hospital's compliance with the terms and conditions, and it is not possible to determine the impact (if any) such claims would have upon the Hospital.

The CARES Act also allowed health care providers to request accelerated and advanced payments for Medicare services. The Hospital requested and received approximately \$8,383,000 of accelerated and advanced Medicare payments under this CARES Act provision through the date the financial statements were issued. This is included in estimated third-party payor settlements on the consolidated balance sheets.