



STATE OF INDIANA
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STATE BOARD OF ACCOUNTS
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August 10, 2022

Board of Directors
Riverview Hospital
d/b/a Riverview Health
395 Westfield Road
Noblesville, IN 46060

We have reviewed the report of Riverview Hospital d/b/a Riverview Health, which was opined upon by Blue & Co., LLC, Independent Public Accountants, for the period January 1, 2021 to December 31, 2021. Per the *Report of Independent Auditors*, the financial statements included in the report present fairly the financial condition of Riverview Hospital d/b/a Riverview Health as of December 31, 2021, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

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

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

Tammy R. White, CPA
Deputy State Examiner



FINANCIAL STATEMENTS

AND

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2021 AND 2020

CPAs / ADVISORS



RIVERVIEW HEALTH

TABLE OF CONTENTS DECEMBER 31, 2021 AND 2020

	Page
Report of Independent Auditors	1
Required Supplementary Information	
Management’s Discussion and Analysis (MD&A) (Unaudited).....	i
Financial Statements	
Balance Sheets – December 31, 2021.....	4
Balance Sheets – December 31, 2020.....	6
Statements of Revenues, Expenses and Changes in Net Position – Year Ended December 31, 2021.....	8
Statements of Revenues, Expenses and Changes in Net Position – Year Ended December 31, 2020.....	9
Statements of Cash Flows – Year Ended December 31, 2021.....	10
Statements of Cash Flows – Year Ended December 31, 2020.....	12
Notes to Financial Statements.....	14
Reporting Under <i>Government Auditing Standards</i> and the Uniform Guidance	
Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	40
Report of Independent Auditors on Compliance for Each Major Federal Program and on Internal Control Over Compliance and Schedule of Expenditures of Federal Awards Required by the Uniform Guidance.....	42
Schedule of Expenditures of Federal Awards – Year Ended December 31, 2021.....	46
Notes to Schedule of Expenditures of Federal Awards.....	47
Schedule of Findings and Questioned Costs – December 31, 2021.....	48



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REPORT OF INDEPENDENT AUDITORS

Board of Trustees
Riverview Health
Noblesville, Indiana

Opinions

We have audited the accompanying financial statements of Riverview Hospital d/b/a Riverview Health (the Hospital), a component unit of Hamilton County, which comprise the balance sheets as of December 31, 2021 and 2020, 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 financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital as of December 31, 2021 and 2020, and its respective changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our 2021 audit in accordance with auditing standards generally accepted in the United States of America, the Uniform Compliance Guidelines for Audits of Hospitals and State and Local Governments by Authorized Independent Public Accountants, issued by the Indiana State Board of Accounts, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The 2020 financial statements were not audited under *Government Auditing Standards* and were audited 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hospital and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards *and Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

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

Board of Trustees
Riverview Health
Noblesville, Indiana

- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2022 on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

Sincerely,

Blue & Co., LLC

Indianapolis, Indiana
March 28, 2022

REQUIRED SUPPLEMENTARY INFORMATION

RIVERVIEW HEALTH

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED)
DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2020 AND 2019)

Management's discussion and analysis of Riverview Health's (the Hospital) financial performance provides an overview of the Hospital's financial activities for the year ended December 31, 2021 with comparable information for 2020 and 2019. Please read it in conjunction with the Hospital's financial statements and accompanying notes to the financial statements included in this report.

Using This Annual Report

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

- In the "*management's discussion and analysis*" section of this report, management discusses various components of the annual report and provide an analysis of the current financial statement information.
- The "*financial statements*" section of this report includes a series of financial statements, which provide information about the activities of the Hospital as a whole. The Balance Sheets reveal the assets, deferred outflows, liabilities, and net position of the Hospital on December 31, 2021 and 2020 while the Statements of Revenues, Expenses and Changes in Net Position summarize the revenues and expenses, including nonoperating items for the years then ended. The Statements of Cash Flows summarize the change in cash and cash equivalents as a result of operating, investing and financing activities during the year. The Notes to the Financial Statements disclose additional information addressed within the body of the financial statements.

Financial Highlights

- Capital assets decreased approximately \$10,200,000 compared to prior year. This compares to a decrease of approximately \$9,100,000 in 2020 and an increase in 2019 of approximately \$1,800,000. The increase in 2019 was primarily due to the expansion of the Hospital's campuses in Noblesville and Westfield, Indiana.
- The Hospital reported a positive change in net position of approximately \$2,900,000 during 2021. This compares to a decrease in net position of approximately \$12,400,000 for 2020 and a positive change in net position of approximately \$9,900,000 for 2019.

RIVERVIEW HEALTH

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) DECEMBER 31, 2021 (WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2020 AND 2019)

Summarized Financial Statement Information

The Hospital's net position is the difference between its assets and deferred outflows and liabilities. The following information documents in summary the net position and the changes in net position related to activities of the Hospital as of December 31, 2021 and 2020 and for the years then ended.

Table 1 – Balance Sheets

	2021	2020	2021 - 2020 Change	2019
Assets				
Current assets	\$ 187,834,236	\$ 194,213,440	\$ (6,379,204)	\$ 181,149,591
Capital assets, net	173,812,747	184,038,050	(10,225,303)	193,114,219
Assets whose use is limited	79,769,758	71,087,811	8,681,947	53,093,176
Other assets	8,644,300	9,224,752	(580,452)	7,673,791
Total assets	450,061,041	458,564,053	(8,503,012)	435,030,777
Deferred outflows - deferred loss on bond refunding	747,259	930,857	(183,598)	1,118,172
Total assets and deferred outflows	<u>\$ 450,808,300</u>	<u>\$ 459,494,910</u>	<u>\$ (8,686,610)</u>	<u>\$ 436,148,949</u>
Liabilities				
Current liabilities	\$ 146,335,094	\$ 153,424,037	\$ (7,088,943)	\$ 115,279,729
Long-term debt and other liabilities	54,638,541	59,090,425	(4,451,884)	61,514,585
Total liabilities	200,973,635	212,514,462	(11,540,827)	176,794,314
Net position				
Net investment in capital assets	117,363,436	125,027,549	(7,664,113)	129,353,894
Restricted	3,773,621	3,969,142	(195,521)	4,254,051
Unrestricted	128,697,608	117,983,757	10,713,851	125,746,690
Total net position	<u>249,834,665</u>	<u>246,980,448</u>	<u>2,854,217</u>	<u>259,354,635</u>
Total liabilities and net position	<u>\$ 450,808,300</u>	<u>\$ 459,494,910</u>	<u>\$ (8,686,610)</u>	<u>\$ 436,148,949</u>

The following discussion includes changes from 2020 to 2021. The significant changes in the Hospital's assets included current assets, which decreased by approximately \$6,400,000, capital assets, net, which decreased by approximately \$10,200,000, and assets whose use is limited, which increased by approximately \$8,700,000. Assets whose use is limited primarily increased due to purchases of investments and positive market conditions in 2021. The significant changes in the Hospital's liabilities included current liabilities, which decreased approximately \$7,100,000 due to a decrease in estimated third-party payor settlements related to accelerated payments received in 2020 in response to the Coronavirus (COVID-19) pandemic that were paid back in 2021. Long-term debt and other liabilities decreased by approximately \$4,400,000 due to current year principal payments. The net position increased approximately \$2,900,000 due to an increase in operating revenues, which was partially offset by an increase in operating expenses and a decrease in nonoperating revenue.

RIVERVIEW HEALTH

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED)
 DECEMBER 31, 2021
 (WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2020 AND 2019)

The significant changes from 2019 to 2020 in the Hospital's assets included current assets, which increased by approximately \$13,100,000, capital assets, net, which decreased by approximately \$9,100,000, and assets whose use is limited which increased by approximately \$18,000,000. Assets whose use is limited increased due to purchases of investments and positive market performance in 2020. The significant changes from 2019 to 2020 in the Hospital's liabilities included current liabilities, which increased by approximately \$38,100,000 due to an increase in estimated third-party payor settlements related to accelerated payments received in response to the COVID-19 pandemic. Long-term debt and other liabilities decreased by approximately \$2,400,000 due to principal payments. The net position decreased approximately \$12,400,000 due to a decrease in operating revenues and an increase in operating expenses, which was partially offset by an increase in nonoperating revenue.

Table 2 – Statements of Revenues, Expenses and Changes in Net Position

	2021	2020	2021 - 2020 Change	2019
Operating revenue				
Net patient service revenue	\$ 600,980,262	\$ 560,588,009	\$ 40,392,253	\$ 581,980,816
Other operating revenue	17,443,879	13,555,003	3,888,876	12,647,311
Total operating revenue	618,424,141	574,143,012	44,281,129	594,628,127
Operating expenses				
Salaries and benefits	109,242,651	102,303,808	6,938,843	98,968,794
Medical supplies and drugs	83,583,710	75,604,806	7,978,904	77,997,807
Depreciation and amortization	21,290,677	21,655,860	(365,183)	20,711,928
Purchased services	337,216,967	326,669,338	10,547,629	303,501,177
Other operating expenses	88,071,957	90,659,536	(2,587,579)	91,290,065
Total operating expenses	639,405,962	616,893,348	22,512,614	592,469,771
Operating income (loss)	(20,981,821)	(42,750,336)	21,768,515	2,158,356
Nonoperating revenue (expenses), net	23,836,038	30,376,149	(6,540,111)	7,711,998
Change in net position	2,854,217	(12,374,187)	15,228,404	9,870,354
Net position, beginning of year	246,980,448	259,354,635	(12,374,187)	249,484,281
Net position, end of year	\$ 249,834,665	\$ 246,980,448	\$ 2,854,217	\$ 259,354,635

Sources of Revenue

During 2021 and 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 55% and 63% of the Hospital's gross revenues in 2021 and 2020, respectively.

RIVERVIEW HEALTH

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED)
DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2020 AND 2019)

Following is a table of major sources of gross patient revenues for 2021, 2020, and 2019:

<u>Payor</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Self Pay	7%	7%	8%
Medicare	36%	37%	42%
Medicaid	33%	34%	22%
Other Commercial	24%	22%	28%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

The Hospital's outpatient services represented approximately 40% and 39% of the Hospital's gross patient revenue in 2021 and 2020, respectively.

Operating and Financial Performance

The Hospital's 2021 return on equity was 1.1%, compared to (5.0)% for 2020 and 3.8% for 2019. The Hospital's 2021 debt service coverage ratio was approximately 0.4%, compared to (2.6)% for 2020 and 3.5% for 2019.

The following section highlights the major financial factors for 2021 and 2020:

- Net patient service revenue was approximately \$601,000,000 in 2021, which increased approximately \$40,400,000 from 2020, primarily due to fewer restrictions related to the COVID-19 pandemic in 2021. Operating expenses increased approximately \$22,500,000 or 3.7%, primarily due to increases in overall activity during 2020. Net patient service revenue was approximately \$560,600,000 in 2020, which decreased approximately \$21,400,000 from 2019. Operating expenses increased approximately \$24,400,000 or 4.1% from 2019 to 2020, primarily due to increased expenses incurred in response to the COVID-19 pandemic during 2020.
- Purchased services was the expense classification with the largest increase from 2020, increasing approximately \$10,600,000 or 3.2%, primarily due to a combination of increased purchased service expenses and restructuring of management fees incurred in 2021 by the Hospital in its emergency room and urgent care facilities. Purchased services increased from 2019 to 2020, approximately \$23,200,000 or 7.6%, primarily due to increased purchased service expenses incurred in 2020 by the long-term care facilities in response to the COVID-19 pandemic.
- Non-operating revenue (expenses) decreased approximately \$6,500,000 from 2020 to 2021, primarily due to a decrease in Provider Relief Funds (PRF) received in 2021 compared to 2020. Non-operating revenue (expenses) increased approximately \$22,700,000 from 2019 to 2020, primarily due to PRF received that were distributed to healthcare providers impacted by the outbreak of the COVID-19 pandemic.

RIVERVIEW HEALTH

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) DECEMBER 31, 2021 (WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2020 AND 2019)

Table 3 – Statements of Cash Flows

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

	2021	2020	2021 - 2020 Change	2019
Cash flows from activities				
Operating	\$ (10,240,995)	\$ 8,873,438	\$ (19,114,433)	\$ 20,042,197
Non-capital financing	15,224,995	26,632,943	(11,407,948)	(769,234)
Capital and related financing	(11,971,281)	(12,520,072)	548,791	(29,144,269)
Investing	912,397	(9,111,665)	10,024,062	8,154,910
Total	(6,074,884)	13,874,644	(19,949,528)	(1,716,396)
Cash and cash equivalents				
Beginning of year	100,253,306	86,378,662		88,095,058
End of year	<u>\$ 94,178,422</u>	<u>\$ 100,253,306</u>		<u>\$ 86,378,662</u>

Changes in the Hospital's cash flows are primarily related to a net decrease in cash flows from capital financing activities due to purchases of capital assets and net decrease in cash flows from operating activities related to cash payments exceeding cash received from patients. The decrease in non-capital financing activities from 2020 to 2021 was due to reduced COVID-19 and PRF funding. Changes in the Hospital's cash flows during 2020 are primarily related a net increase in cash flows from non-capital financing activities due to PRF received by the Hospital during 2020 in response to the COVID-19 pandemic.

Capital Assets

During 2021, the Hospital's net capital assets have decreased by approximately \$10,200,000. This compares to a decrease of approximately \$9,100,000 for 2020. The change in capital assets is outlined in the following table:

	2021	2020	2021-2020 Change	2019
Land and improvements	\$ 19,281,504	\$ 19,121,618	\$ 159,886	\$19,094,534
Buildings and improvements	167,573,158	166,929,058	644,100	166,003,248
Equipment	215,915,000	204,283,999	11,631,001	194,863,563
Construction in progress	2,649,269	5,813,392	(3,164,123)	4,805,804
Total capital assets	405,418,931	396,148,067	9,270,864	384,767,149
Less accumulated depreciation	231,606,184	212,110,017	19,496,167	191,652,930
Capital assets, net	<u>\$ 173,812,747</u>	<u>\$ 184,038,050</u>	<u>\$ (10,225,303)</u>	<u>\$ 193,114,219</u>

Net capital assets decreased during 2021 and 2020 due to depreciation on capital assets exceeding additions exceeding additions to capital assets. The Hospital continually evaluates facilities and equipment to ensure that everything is upgraded as necessary.

RIVERVIEW HEALTH

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) DECEMBER 31, 2021 (WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2020 AND 2019)

More detailed information about the Hospital's capital assets is presented in the Notes to the Financial Statements.

Debt Administration

The Hospital has the following debt outstanding, which approximates \$57,200,000 as of December 31, 2021:

- 2012 tax-exempt revenue bonds
- 2013 tax-exempt revenue bonds
- 2016 tax-exempt revenue bonds
- 2017 tax-exempt revenue bonds
- Capital lease obligations

More detailed information about the Hospital's long-term debt is presented in the Notes to the Financial Statements.

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, loss of, or reduction to, revenue and investment portfolio declines.

Management believes that the healthcare industry'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 health care 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 health care workers. The Hospital is also affected by the uncertainty of federal healthcare reform.

Contacting The Hospital's Financial Management

This financial report is designed to provide 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. If you have questions about this report or need additional financial information, contact the Hospital's Fiscal Services Department.

RIVERVIEW HEALTH

BALANCE SHEETS DECEMBER 31, 2021 (WITH COMPARATIVE TOTALS AT DECEMBER 31, 2020)

	ASSETS AND DEFERRED OUTFLOWS			
	2021		2020	
	Hospital	Foundation	Total reporting entity	Total reporting entity
Current assets				
Cash and cash equivalents	\$ 91,534,698	\$ 374,755	\$ 91,909,453	\$ 98,735,479
Patient accounts receivable, less allowances for uncollectible accounts of approximately \$14,914,000 and \$7,079,000, respectively	66,926,033	-0-	66,926,033	65,795,962
Related party receivables	254,781	-0-	254,781	422,856
Inventories	6,401,424	-0-	6,401,424	6,670,509
Other current assets	<u>22,327,970</u>	<u>14,575</u>	<u>22,342,545</u>	<u>22,588,634</u>
Total current assets	<u>187,444,906</u>	<u>389,330</u>	<u>187,834,236</u>	<u>194,213,440</u>
Assets whose use is limited				
Board designated funds				
Long-term investments	<u>73,248,901</u>	<u>2,747,236</u>	<u>75,996,137</u>	<u>67,118,669</u>
Total board designated funds	<u>73,248,901</u>	<u>2,747,236</u>	<u>75,996,137</u>	<u>67,118,669</u>
Trustee held assets				
Professional liability insurance funds	<u>351,261</u>	<u>-0-</u>	<u>351,261</u>	<u>526,609</u>
Total trustee held assets	<u>351,261</u>	<u>-0-</u>	<u>351,261</u>	<u>526,609</u>
Restricted by donor				
Expendable for various purposes upon donors' specific restriction	50,125	467,530	517,655	628,071
Nonexpendable permanent endowments	<u>-0-</u>	<u>2,904,705</u>	<u>2,904,705</u>	<u>2,814,462</u>
Total donor-restricted assets	<u>50,125</u>	<u>3,372,235</u>	<u>3,422,360</u>	<u>3,442,533</u>
Total assets whose use is limited	73,650,287	6,119,471	79,769,758	71,087,811
Capital assets				
Land	16,050,414	-0-	16,050,414	15,961,384
Depreciable capital assets	386,719,248	-0-	386,719,248	374,373,291
Construction in progress	<u>2,649,269</u>	<u>-0-</u>	<u>2,649,269</u>	<u>5,813,392</u>
	405,418,931	-0-	405,418,931	396,148,067
Less accumulated depreciation	<u>231,606,184</u>	<u>-0-</u>	<u>231,606,184</u>	<u>212,110,017</u>
Capital assets, net	<u>173,812,747</u>	<u>-0-</u>	<u>173,812,747</u>	<u>184,038,050</u>
Other assets	<u>8,454,315</u>	<u>189,985</u>	<u>8,644,300</u>	<u>9,224,752</u>
Total assets	443,362,255	6,698,786	450,061,041	458,564,053
Deferred outflows - deferred loss on bond refunding	<u>747,259</u>	<u>-0-</u>	<u>747,259</u>	<u>930,857</u>
Total assets and deferred outflows	<u>\$444,109,514</u>	<u>\$ 6,698,786</u>	<u>\$ 450,808,300</u>	<u>\$ 459,494,910</u>

See accompanying notes to financial statements.

RIVERVIEW HEALTH

BALANCE SHEETS DECEMBER 31, 2021

(WITH COMPARATIVE TOTALS AT DECEMBER 31, 2020)

LIABILITIES AND NET POSITION

	2021		2020	
	Hospital	Foundation	Total reporting entity	Total reporting entity
Current liabilities				
Current portion of bonds payable	\$ 4,195,000	\$ -0-	\$ 4,195,000	\$ 4,762,799
Line of credit	11,000,000	-0-	11,000,000	7,000,000
Current portion of capital lease obligations	187,965	-0-	187,965	73,833
Accounts payable and other accruals	19,475,692	12,050	19,487,742	23,743,565
Salaries, wages and related payables	11,302,072	-0-	11,302,072	12,600,226
Estimated third-party payor settlements	263,204	-0-	263,204	17,060,211
Other current liabilities	99,899,111	-0-	99,899,111	88,183,403
Total current liabilities	146,323,044	12,050	146,335,094	153,424,037
Noncurrent liabilities				
Long-term bonds and notes payable	50,770,000	-0-	50,770,000	54,965,000
Long-term capital lease obligations	2,043,605	-0-	2,043,605	139,726
Other long-term liabilities	1,805,857	19,079	1,824,936	3,985,699
Total noncurrent liabilities	54,619,462	19,079	54,638,541	59,090,425
Total liabilities	200,942,506	31,129	200,973,635	212,514,462
Net position				
Net investment in capital assets	117,363,436	-0-	117,363,436	125,027,549
Restricted				
For debt service and professional liability insurance	351,261	-0-	351,261	526,609
Expendable for various purposes upon donors' specific restriction	50,125	467,530	517,655	628,071
Nonexpendable	-0-	2,904,705	2,904,705	2,814,462
Total restricted	401,386	3,372,235	3,773,621	3,969,142
Unrestricted	125,402,186	3,295,422	128,697,608	117,983,757
Total net position	243,167,008	6,667,657	249,834,665	246,980,448
Total liabilities and net position	\$444,109,514	\$ 6,698,786	\$ 450,808,300	\$ 459,494,910

See accompanying notes to financial statements.

RIVERVIEW HEALTH

BALANCE SHEETS DECEMBER 31, 2020

ASSETS AND DEFERRED OUTFLOWS

	2020		
	Hospital	Foundation	Total reporting entity
Current assets			
Cash and cash equivalents	\$ 98,311,834	\$ 423,645	\$ 98,735,479
Patient accounts receivable, less allowance for uncollectible accounts of approximately \$7,079,000	65,795,962	-0-	65,795,962
Related party receivables	422,856	-0-	422,856
Inventories	6,670,509	-0-	6,670,509
Other current assets	22,559,890	28,744	22,588,634
Total current assets	193,761,051	452,389	194,213,440
Assets whose use is limited			
Board designated funds			
Long-term investments	65,120,958	1,997,711	67,118,669
Total board designated funds	65,120,958	1,997,711	67,118,669
Trustee held assets			
Professional liability insurance funds	526,609	-0-	526,609
Total trustee held assets	526,609	-0-	526,609
Restricted by donor			
Expendable for various purposes upon donors' specific restriction	50,680	577,391	628,071
Nonexpendable permanent endowments	-0-	2,814,462	2,814,462
Total donor-restricted assets	50,680	3,391,853	3,442,533
Total assets whose use is limited	65,698,247	5,389,564	71,087,811
Capital assets			
Land	15,961,384	-0-	15,961,384
Depreciable capital assets	374,373,291	-0-	374,373,291
Construction in progress	5,813,392	-0-	5,813,392
	396,148,067	-0-	396,148,067
Less accumulated depreciation	212,110,017	-0-	212,110,017
Capital assets, net	184,038,050	-0-	184,038,050
Other assets	8,996,615	228,137	9,224,752
Total assets	452,493,963	6,070,090	458,564,053
Deferred outflows - deferred loss on bond refunding	930,857	-0-	930,857
Total assets and deferred outflows	\$ 453,424,820	\$ 6,070,090	\$ 459,494,910

See accompanying notes to financial statements.

RIVERVIEW HEALTH

BALANCE SHEETS DECEMBER 31, 2020

LIABILITIES AND NET POSITION

	2020		
	Hospital	Foundation	Total reporting entity
Current liabilities			
Current portion of bonds payable	\$ 4,762,799	\$ -0-	\$ 4,762,799
Line of credit	7,000,000	-0-	7,000,000
Current portion of capital lease obligations	73,833	-0-	73,833
Accounts payable and other accruals	23,732,147	11,418	23,743,565
Salaries, wages and related payables	12,600,226	-0-	12,600,226
Estimated third-party payor settlements	17,060,211	-0-	17,060,211
Other current liabilities	88,183,403	-0-	88,183,403
Total current liabilities	153,412,619	11,418	153,424,037
Noncurrent liabilities			
Long-term bonds payable	54,965,000	-0-	54,965,000
Long-term capital lease obligations	139,726	-0-	139,726
Other long-term liabilities	3,967,800	17,899	3,985,699
Total noncurrent liabilities	59,072,526	17,899	59,090,425
Total liabilities	212,485,145	29,317	212,514,462
Net position			
Net investment in capital assets	125,027,549	-0-	125,027,549
Restricted			
For debt service and professional liability insurance	526,609	-0-	526,609
Expendable for various purposes upon donors' specific restriction	50,680	577,391	628,071
Nonexpendable	-0-	2,814,462	2,814,462
Total restricted	577,289	3,391,853	3,969,142
Unrestricted	115,334,837	2,648,920	117,983,757
Total net position	240,939,675	6,040,773	246,980,448
Total liabilities and net position	\$ 453,424,820	\$ 6,070,090	\$ 459,494,910

See accompanying notes to financial statements.

RIVERVIEW HEALTH

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION YEAR ENDED DECEMBER 31, 2021 (WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2020)

	2021		2020	
	Hospital	Foundation	Total reporting entity	Total reporting entity
Revenue				
Net patient service revenue	\$ 600,980,262	\$ -0-	\$ 600,980,262	\$ 560,588,009
Other	17,443,879	-0-	17,443,879	13,555,003
Total operating revenue	<u>618,424,141</u>	<u>-0-</u>	<u>618,424,141</u>	<u>574,143,012</u>
Operating expenses				
Salaries and wages	91,936,500	-0-	91,936,500	84,910,809
Employee benefits	17,306,151	-0-	17,306,151	17,392,999
Medical supplies	49,035,954	-0-	49,035,954	44,672,816
Drugs	34,547,756	-0-	34,547,756	30,931,990
Food	999,188	-0-	999,188	1,066,542
Utilities	11,961,581	-0-	11,961,581	11,125,812
Purchased services	337,216,967	-0-	337,216,967	326,669,338
Repairs and maintenance	8,589,760	-0-	8,589,760	8,755,779
Rental expense	40,888,763	-0-	40,888,763	44,125,947
Hospital assessment fee	9,077,065	-0-	9,077,065	8,818,222
Other supplies and expenses	16,555,600	-0-	16,555,600	16,767,234
Depreciation and amortization	21,290,677	-0-	21,290,677	21,655,860
Total operating expenses	<u>639,405,962</u>	<u>-0-</u>	<u>639,405,962</u>	<u>616,893,348</u>
Operating loss	(20,981,821)	-0-	(20,981,821)	(42,750,336)
Nonoperating revenue (expenses)				
Investment income	10,310,875	694,270	11,005,145	6,082,481
Contributions and other revenue	167,017	376,541	543,558	955,767
Grants	-0-	(443,927)	(443,927)	(717,461)
COVID-19 grant funds	15,125,364	-0-	15,125,364	26,394,637
Interest expense	(2,394,102)	-0-	(2,394,102)	(2,339,275)
Total nonoperating, net	<u>23,209,154</u>	<u>626,884</u>	<u>23,836,038</u>	<u>30,376,149</u>
Change in net position	2,227,333	626,884	2,854,217	(12,374,187)
Net position				
Beginning of year	240,939,675	6,040,773	246,980,448	259,354,635
End of year	<u>\$ 243,167,008</u>	<u>\$ 6,667,657</u>	<u>\$ 249,834,665</u>	<u>\$ 246,980,448</u>

See accompanying notes to financial statements.

RIVERVIEW HEALTH

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION YEAR ENDED DECEMBER 31, 2020

	2020		
	Hospital	Foundation	Total reporting entity
Revenue			
Net patient service revenue	\$ 560,588,009	\$ -0-	\$ 560,588,009
Other	13,555,003	-0-	13,555,003
Total operating revenue	574,143,012	-0-	574,143,012
Operating expenses			
Salaries and wages	84,910,809	-0-	84,910,809
Employee benefits	17,392,999	-0-	17,392,999
Medical supplies	44,672,816	-0-	44,672,816
Drugs	30,931,990	-0-	30,931,990
Food	1,066,542	-0-	1,066,542
Utilities	11,125,812	-0-	11,125,812
Purchased services	326,669,338	-0-	326,669,338
Repairs and maintenance	8,755,779	-0-	8,755,779
Rental expense	44,125,947	-0-	44,125,947
Hospital assessment fee	8,818,222		8,818,222
Other supplies and expenses	16,767,234	-0-	16,767,234
Depreciation and amortization	21,655,860	-0-	21,655,860
Total operating expenses	616,893,348	-0-	616,893,348
Operating loss	(42,750,336)	-0-	(42,750,336)
Nonoperating revenue (expenses)			
Investment income	5,289,274	793,207	6,082,481
Contributions and other revenue	600,138	355,629	955,767
Grants	-0-	(717,461)	(717,461)
COVID-19 grant funds	26,394,637	-0-	26,394,637
Interest expense	(2,339,275)	-0-	(2,339,275)
Total nonoperating, net	29,944,774	431,375	30,376,149
Change in net position	(12,805,562)	431,375	(12,374,187)
Net position			
Beginning of year	253,745,237	5,609,398	259,354,635
End of year	\$ 240,939,675	\$ 6,040,773	\$ 246,980,448

See accompanying notes to financial statements.

RIVERVIEW HEALTH

STATEMENTS OF CASH FLOWS YEAR ENDED DECEMBER 31, 2021 (WITH COMPARATIVE TOTALS FOR 2020)

	2021		2020	
	Hospital	Foundation	Total reporting entity	Total reporting entity
Operating activities				
Cash received from patient services	\$ 588,927,174	\$ -0-	\$ 588,927,174	\$ 587,268,708
Cash paid for salaries, wages and benefits	(110,540,805)	-0-	(110,540,805)	(100,332,895)
Cash paid to vendors and suppliers	(506,135,336)	-0-	(506,135,336)	(491,580,099)
Other receipts and payments, net	17,453,839	54,133	17,507,972	13,517,724
Net cash flows from operating activities	(10,295,128)	54,133	(10,240,995)	8,873,438
Non-capital financing activities				
Contributions and other nonoperating	167,017	376,541	543,558	955,767
Grants	-0-	(443,927)	(443,927)	(717,461)
COVID-19 grant funds	15,125,364	-0-	15,125,364	26,394,637
Net cash flows from non-capital financing activities	15,292,381	(67,386)	15,224,995	26,632,943
Capital and related financing activities				
Payments on long-term debt	(4,762,799)	-0-	(4,762,799)	(4,863,366)
Payments on capital leases	(73,834)	-0-	(73,834)	(73,773)
Proceeds from line of credit	4,000,000	-0-	4,000,000	7,000,000
Cash paid for interest	(2,184,225)	-0-	(2,184,225)	(2,151,960)
Proceeds on sale of assets	540	-0-	540	353,558
Purchase of capital assets	(8,950,963)	-0-	(8,950,963)	(12,784,531)
Net cash flows from capital and related financing activities	(11,971,281)	-0-	(11,971,281)	(12,520,072)
Investing activities				
Investment income	8,148,932	694,270	8,843,202	8,493,941
Purchases of investments	(66,938,465)	(2,033,623)	(68,972,088)	(48,529,625)
Proceeds from sale of investments	59,737,567	1,303,716	61,041,283	30,924,019
Net cash flows from investing activities	948,034	(35,637)	912,397	(9,111,665)
Net change in cash and cash equivalents	(6,025,994)	(48,890)	(6,074,884)	13,874,644
Cash and cash equivalents				
Beginning of year	99,829,661	423,645	100,253,306	86,378,662
End of year	\$ 93,803,667	\$ 374,755	\$ 94,178,422	\$ 100,253,306
Reconciliation of cash and cash equivalents to the balance sheets				
Cash and cash equivalents				
In current assets	\$ 91,534,698	\$ 374,755	\$ 91,909,453	\$ 98,735,479
In assets whose use is limited	2,268,969	-0-	2,268,969	1,517,827
Total cash and cash equivalents	\$ 93,803,667	\$ 374,755	\$ 94,178,422	\$ 100,253,306

See accompanying notes to financial statements.

RIVERVIEW HEALTH

STATEMENTS OF CASH FLOWS YEAR ENDED DECEMBER 31, 2021 (WITH COMPARATIVE TOTALS FOR 2020)

	2021		2020	
	Hospital	Foundation	Total reporting entity	Total reporting entity
Reconciliation of operating loss to net cash flows from operating activities				
Operating loss	\$ (20,981,821)	\$ -0-	\$ (20,981,821)	\$ (42,750,336)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities				
Depreciation and amortization	21,290,677	-0-	21,290,677	21,655,860
(Gain) loss on disposal of assets	9,960	-0-	9,960	(145,716)
Provision for bad debts	23,193,941	-0-	23,193,941	18,340,072
Changes in operating assets and liabilities				
Patient accounts receivable	(24,324,012)	-0-	(24,324,012)	(16,616,722)
Inventories	269,085	-0-	269,085	(1,306,465)
Other current assets	363,152	14,169	377,321	1,964,035
Other assets	2,704,243	38,152	2,742,395	(3,962,421)
Accounts payable	(4,289,521)	632	(4,288,889)	4,926,763
Related party receivables/payables	168,075	-0-	168,075	(49,291)
Salaries, wages and fees payable	(1,298,154)	-0-	(1,298,154)	1,970,913
Estimated third-party payor settlements	(16,797,007)	-0-	(16,797,007)	16,820,888
Other current liabilities	11,905,421	-0-	11,905,421	5,863,389
Other long-term liabilities	(2,509,167)	1,180	(2,507,987)	2,162,469
Net cash flows from operating activities	<u>\$ (10,295,128)</u>	<u>\$ 54,133</u>	<u>\$ (10,240,995)</u>	<u>\$ 8,873,438</u>
Supplemental cash flows information				
Property acquired through capital lease obligation	\$ 2,091,845	\$ -0-	\$ 2,091,845	\$ -0-
Property included in accounts payable	\$ 33,066	\$ -0-	\$ 33,066	\$ 3,002

See accompanying notes to financial statements.

RIVERVIEW HEALTH

STATEMENTS OF CASH FLOWS YEAR ENDED DECEMBER 31, 2020

	2020		
	Hospital	Foundation	Total reporting entity
Operating activities			
Cash received from patient services	\$587,268,708	\$ -0-	\$ 587,268,708
Cash paid for salaries, wages and benefits	(100,332,895)	-0-	(100,332,895)
Cash paid to vendors and suppliers	(491,580,099)	-0-	(491,580,099)
Other receipts and payments, net	13,409,287	108,437	13,517,724
Net cash flows from operating activities	8,765,001	108,437	8,873,438
Non-capital financing activities			
Contributions and other nonoperating	600,138	355,629	955,767
Grants	-0-	(717,461)	(717,461)
COVID-19 grant funds	26,394,637	-0-	26,394,637
Net cash flows from non-capital financing activities	26,994,775	(361,832)	26,632,943
Capital and related financing activities			
Payments on long-term debt	(4,863,366)	-0-	(4,863,366)
Payments on capital leases	(73,773)	-0-	(73,773)
Proceeds from line of credit	7,000,000	-0-	7,000,000
Cash paid for interest	(2,151,960)	-0-	(2,151,960)
Proceeds on sale of assets	353,558	-0-	353,558
Purchase of capital assets	(12,784,531)	-0-	(12,784,531)
Net cash flows from capital and related financing activities	(12,520,072)	-0-	(12,520,072)
Investing activities			
Investment income	7,700,734	793,207	8,493,941
Purchase of investments	(47,531,277)	(998,348)	(48,529,625)
Proceeds from sale of investments	30,374,019	550,000	30,924,019
Net cash flows from investing activities	(9,456,524)	344,859	(9,111,665)
Net change in cash and cash equivalents	13,783,180	91,464	13,874,644
Cash and cash equivalents			
Beginning of year	86,046,481	332,181	86,378,662
End of year	<u>\$ 99,829,661</u>	<u>\$ 423,645</u>	<u>\$ 100,253,306</u>
Reconciliation of cash and cash equivalents to the balance sheets			
Cash and cash equivalents			
In current assets	\$ 98,311,834	\$ 423,645	\$ 98,735,479
In assets whose use is limited	1,517,827	-0-	1,517,827
Total cash and cash equivalents	<u>\$ 99,829,661</u>	<u>\$ 423,645</u>	<u>\$ 100,253,306</u>

See accompanying notes to financial statements.

RIVERVIEW HEALTH

STATEMENTS OF CASH FLOWS YEAR ENDED DECEMBER 31, 2020

	2020		
	Hospital	Foundation	Total reporting entity
Reconciliation of operating loss			
to net cash flows from operating activities			
Operating loss	\$ (42,750,336)	\$ -0-	\$ (42,750,336)
Adjustments to reconcile operating loss to net cash flows from operating activities			
Depreciation and amortization	21,655,860	-0-	21,655,860
Gain on disposal of assets	(145,716)		(145,716)
Provision for bad debts	18,340,072	-0-	18,340,072
Changes in operating assets and liabilities			
Patient accounts receivable	(16,616,722)	-0-	(16,616,722)
Inventories	(1,306,465)	-0-	(1,306,465)
Other current assets	1,891,791	72,244	1,964,035
Other assets	(4,005,157)	42,736	(3,962,421)
Accounts payable	4,934,315	(7,552)	4,926,763
Related party receivables/payables	(49,291)	-0-	(49,291)
Salaries, wages and fees payable	1,970,913	-0-	1,970,913
Estimated third-party payor settlements	16,820,888	-0-	16,820,888
Other current liabilities	5,863,389	-0-	5,863,389
Other long-term liabilities	2,161,460	1,009	2,162,469
Net cash flows from operating activities	\$ 8,765,001	\$ 108,437	\$ 8,873,438
Supplemental cash flows information			
Property included in accounts payable	\$ 3,002	\$ -0-	\$ 3,002

See accompanying notes to financial statements.

RIVERVIEW HEALTH

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

1. SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity

Riverview Hospital d/b/a Riverview Health (the Hospital) is a hospital located in Noblesville, Indiana. The Hospital was created by the Board of County Commissioners of Hamilton County, Indiana to operate, control and manage all matters concerning Hamilton County's health care functions. The Hospital is a county owned facility operating 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. The Board of County Commissioners of Hamilton County appoints the Governing Board of the Hospital. For this reason, the Hospital is considered a discrete component unit of Hamilton County (County).

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

The Hospital has entered into lease agreements with the long-term care facilities, collectively referred to as the Lessors and the Managers, to lease the facilities managed by the Managers. Concurrently, the Hospital entered into agreements with the Managers to manage the above-leased facilities. As part of the agreements, the Hospital will pay the Managers a management fee to continue managing the facilities on behalf of the Hospital in accordance with the terms of the agreements. These management fees consist of base management fees, subordinated management fees, and quarterly incentive payments. The agreements expire at various times through December 31, 2023. The terms of these agreements may be renewed at the end of each term for an additional period of two years. All parties involved can terminate the agreement without cause with 90 days written notice.

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

Accounting principles generally accepted in the United States of America require that these financial statements present 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.

The 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 Hamilton County, attributable to the transactions of the Hospital and its Foundation. They do not purport to, and do not, present fairly the financial position of Hamilton County as of December 31, 2021 and 2020, the changes in its financial position or its cash flows for the years then ended.

RIVERVIEW HEALTH

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

For financial reporting purposes, the Hospital's reporting entity consists of the primary government and the component unit organization for which the nature and significance of its relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete, and it is financially accountable to the primary government (discrete component unit). Separate financial statements related to the individual component units may be obtained by contacting Hospital management.

Measurement Focus and Basis of Accounting

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

Discrete Component Unit

Discretely presented component units are reported in a separate column in the financial statements to emphasize they are legally separate from the primary government. They are financially accountable to the primary government, or have relationships with the primary government such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The discretely presented component unit is:

Riverview Hospital Foundation, Inc., dba Riverview Health Foundation (Foundation): A separate not-for-profit entity organized to support the operations of the Hospital.

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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Federal or State Income Taxes

The Hospital is a county hospital organized under Title 16, Article 22, of the Indiana statutes. The Hospital is exempt from federal income tax under the Internal Revenue Code of 1986 as a charitable, educational, and scientific organization as described under Section 501(c)(3).

The discrete component unit of Riverview Health Foundation is a tax-exempt organization under Internal Revenue Code 501(c) (3). As such, the Foundation is generally exempt from income taxes. However, the Foundation is required to file Federal Form 990 – Return of Organization from Income Tax, which is an informational return only.

RIVERVIEW HEALTH

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and recognize a tax liability if they 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, 2021 and 2020, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Cash and Cash Equivalents

Cash and cash equivalents include all cash held in checking, savings and money market savings accounts available for operating purposes with original maturity dates of 90 days or less from the date of purchase. 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.

Patient Accounts Receivable and Net Patient Service Revenue

Patient revenues and the related accounts receivable are recorded at the time services to patients are performed. 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 (DRG). 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. The Medicare program cost reports have been audited through December 31, 2016 with immaterial differences reflected as deductions from revenue in 2021. Amounts from unresolved cost reports for 2017 through 2021 are reflected in estimated third-party payor settlements on the balance sheets. Also included in estimated third-party payor settlements on the balance sheets as of December 31, 2020 is approximately \$16,600,000 received for Medicare accelerated payments during 2020, which were repaid during 2021.

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

RIVERVIEW HEALTH

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Advertising

The Hospital expenses advertising costs as they are incurred. Advertising expenses for the years ended December 31, 2021 and 2020 were approximately \$1,424,000 and \$1,820,000, respectively, and are included in other supplies and expenses within the statements of revenues, expenses, and changes in net position within the financial statements.

Inventories

Inventories consist primarily of drugs and supplies and are valued at the lower of cost or market with cost being determined on the first-in, first-out (FIFO) method.

Assets Whose Use is Limited and Investments

Assets whose use is limited are stated at fair value in the financial statements. These assets include investments designated by the Hospital Board for internal purposes, investments held by trustees for capital improvements, professional liability insurance and debt service, and donor restricted funds. These investments consist primarily of cash and cash equivalents and mutual funds. Investment income (loss) is reported as nonoperating revenue (expense) in the statements of revenues, expenses and changes in net position.

Capital Assets and Depreciation

The Hospital and Foundation's capital assets are reported at historical cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. All capital assets other than land are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation using these asset lives:

<u>Description</u>	<u>Range of Useful Lives</u>
Land improvements	5-20 years
Buildings and improvements	5-40 years
Equipment	3-20 years

Investment in Affiliates

The Hospital has equity interests in several joint ventures. These investments are recorded on the cost and equity methods of accounting in the Hospital's financial statements. These investments are included in other assets on the balance sheets.

RIVERVIEW HEALTH

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Net Position

Net position of the Hospital is classified in four components. (1) Net invested in capital assets consist of capital assets net of accumulated depreciation plus deferred outflows related to losses on bond refundings which are reduced by the balance of any outstanding borrowings used to finance the purchase or construction of those assets. (2) Restricted expendable net position includes assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital, including amounts deposited with trustees as required by revenue note indentures. (3) Restricted nonexpendable net position includes the principal portion of permanent endowments. (4) Unrestricted net position is remaining net position that does not meet the definition of invested in capital assets net of related debt or restricted.

The amounts classified as restricted nonexpendable net position for December 31, 2021 and 2020 are as follows:

	2021	2020
Endowments	<u>\$ 2,904,705</u>	<u>\$ 2,814,462</u>

Hospital Assessment Fee Program

The purpose of the Hospital Assessment Fee Program is to fund the State share of enhanced Medicaid payments and Medicaid Disproportionate Share (DSH) payments for Indiana hospitals as reflected in the Hospital assessment fee expense reported in the statements of revenues, expenses 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 2021 and 2020, the Hospital recognized Hospital assessment fee expense of approximately \$9,077,000 and \$8,818,000, respectively, which resulted in increased Medicaid reimbursement.

Grants and Contributions

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

Amounts restricted for capital acquisitions are reported after non-operating revenues and expenses. Grants are recognized to the extent that the Hospital meets the terms and conditions of the grant.

RIVERVIEW HEALTH

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Restricted Resources

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

Operating Revenues and Expenses

The reporting entity's statements of revenues, expenses and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the principal activity. Nonexchange revenues, Coronavirus (COVID-19) grant funds, 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.

Charity Care

The Hospital provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy. Because the Hospital does not collect amounts deemed to be charity care, they are not reported as revenue.

Of the Hospital's total expenses reported, estimated \$4,607,000 and \$4,776,000 arose from providing services to charity patients during the years ended December 31, 2021 and December 31, 2020, respectively.

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

Compensated Absences

The Hospital's employees earn time off at varying rates depending on years of service under separate policies for sick, vacation and personal leaves. Accrued vacation hours are paid at the time of termination. However, accrued sick hours are not paid at the time of termination. The estimated amount of unused time off is reported as a liability in the balance sheets.

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; employee health dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

RIVERVIEW HEALTH

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Subsequent Events

The Hospital evaluates events or transactions occurring subsequent to the balance sheet date for recognition and disclosure in the accompanying financial statements through the date the financial statements were available to be issued which is March 28, 2022.

Recently Issued Accounting Standards

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*, which will be effective for periods beginning after June 15, 2021. This Statement requires 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. The Hospital is presently evaluating the impact of this standard on its future financial statements.

2. CHANGE IN ACCOUNTING PRINCIPLE

During 2021, the Hospital implemented 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 no longer be included in the historical cost of a capital asset reported in the Hospital's financial statements. This statement was adopted prospectively beginning in 2021.

3. NET PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The following is a summary of net patient service revenue for 2021 and 2020:

	2021	2020
Patient service revenue		
Inpatient	\$ 183,458,717	\$ 162,400,606
Outpatient	502,192,345	397,803,016
Long-term care	496,110,870	466,260,693
Gross service patient revenue	<u>1,181,761,932</u>	<u>1,026,464,315</u>
Deductions from revenue		
Contractual allowances	545,341,595	436,308,521
Charity care	12,246,134	11,227,713
Provision for bad debts	23,193,941	18,340,072
Total deductions from revenue	<u>580,781,670</u>	<u>465,876,306</u>
Net patient service revenue	<u>\$ 600,980,262</u>	<u>\$ 560,588,009</u>

RIVERVIEW HEALTH

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

4. 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, 2021 and 2020:

	2021	2020
<u>Patient accounts receivable</u>		
Receivable from patients and their insurance carriers	\$ 67,289,296	\$ 67,335,592
Receivable from Medicare	44,385,614	26,028,836
Receivable from Medicaid	17,884,157	13,043,279
Total patient accounts receivable	<u>129,559,067</u>	<u>106,407,707</u>
Less allowances for contractual agreements	(47,718,814)	(33,533,004)
Less allowances for uncollectible amounts	(14,914,220)	(7,078,741)
Total allowances	<u>(62,633,034)</u>	<u>(40,611,745)</u>
Patient accounts receivable, net	<u>\$ 66,926,033</u>	<u>\$ 65,795,962</u>
<u>Accounts payable and accrued expenses</u>		
Payable to suppliers	\$ 19,487,742	\$ 23,743,565
Payable to employees (including payroll taxes and benefits)	11,302,072	12,600,226
Total accounts payable and accrued expenses	<u>\$ 30,789,814</u>	<u>\$ 36,343,791</u>

5. ASSETS WHOSE USE IS LIMITED

Board Designated Funds

The Hospital funds depreciation expense to meet the capital equipment needs of the facility. Depreciation is funded totally, with expenditures for capital equipment and debt principal payments reducing the long-term investments balance. The Hospital designates other investments to fund specific projects. Interest earned by the long-term investments and other board designated investments accounts are left to accumulate as an addition to the funds. Board designated funds as of December 31, 2021 and 2020 were approximately \$76,000,000 and \$67,100,000, respectively.

Trustee Held Assets

The Hospital deposits certain funds related to professional liability insurance funds. Professional liability insurance funds as of December 31, 2021 and 2020 were approximately \$351,000 and \$527,000, respectively.

RIVERVIEW HEALTH

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Donor-Restricted – Expendable for Various Purposes

The Hospital has funds, which have been donated for specific purposes. The funds must be used for the donor specified purpose. Donor-restricted assets that are expendable for various purposes were approximately \$518,000 and \$628,000 as of December 31, 2021 and 2020.

Donor-Restricted Nonexpendable Endowments

The Hospital maintains several permanent funds with donor-restricted endowments that totaled approximately \$2,900,000 and \$2,800,000 at December 31, 2021 and 2020, respectively. It is the Hospital's policy that all earnings on investments are authorized for spending. Only new gifts are added to the original endowment and are not authorized for spending.

Assets whose use is limited that are required for obligations classified as current liabilities are reported in current assets.

6. DEPOSITS AND INVESTMENTS

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

Investments are carried at fair market value. Net realized gains and losses on security transactions are determined on the specific identification cost basis. Long-term investments consist of mutual funds.

RIVERVIEW HEALTH

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

As of December 31, 2021 and 2020, 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, 2021					
Hospital	Carrying amount	Investment Maturities (in Years)			
		Less than 1	1 - 5	6 - 10	More than 10
Mutual funds - equities	\$ 63,977,701	\$ 63,977,701	\$ -0-	\$ -0-	\$ -0-
Mutual funds - fixed income	7,403,617	7,403,617	-0-	-0-	-0-
	\$ 71,381,318	\$ 71,381,318	\$ -0-	\$ -0-	\$ -0-
Foundation					
Mutual funds - equities	\$ 3,764,980	\$ 3,764,980	\$ -0-	\$ -0-	\$ -0-
Mutual funds - fixed income	2,354,491	2,354,491	-0-	-0-	-0-
	\$ 6,119,471	\$ 6,119,471	\$ -0-	\$ -0-	\$ -0-
December 31, 2020					
Hospital	Carrying amount	Investment Maturities (in Years)			
		Less than 1	1 - 5	6 - 10	More than 10
Mutual funds - equities	\$ 60,268,319	\$ 60,268,319	\$ -0-	\$ -0-	\$ -0-
Mutual funds - fixed income	3,912,101	3,912,101	-0-	-0-	-0-
	\$ 64,180,420	\$ 64,180,420	\$ -0-	\$ -0-	\$ -0-
Foundation					
Mutual funds - equities	\$ 3,092,330	\$ 3,092,330	\$ -0-	\$ -0-	\$ -0-
Mutual funds - fixed income	2,297,234	2,297,234	-0-	-0-	-0-
	\$ 5,389,564	\$ 5,389,564	\$ -0-	\$ -0-	\$ -0-

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, money market accounts, 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.

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

RIVERVIEW HEALTH

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Deposits and investments consist of the following as of December 31, 2021 and 2020:

	2021	2020
Hospital		
Carrying amount		
Deposits	\$ 93,803,667	\$ 99,829,661
Investments	71,381,318	64,180,420
	<u>\$ 165,184,985</u>	<u>\$ 164,010,081</u>
Included in the following balance sheet captions		
Cash and cash equivalents	\$ 91,534,698	\$ 98,311,834
Board designated funds	73,248,901	65,120,958
Trustee held assets	351,261	526,609
Restricted by donor	50,125	50,680
	<u>\$ 165,184,985</u>	<u>\$ 164,010,081</u>
Foundation		
Carrying amount		
Deposits	\$ 374,755	\$ 423,645
Investments	6,119,471	5,389,564
	<u>\$ 6,494,226</u>	<u>\$ 5,813,209</u>
Included in the following balance sheet captions		
Cash and cash equivalents	\$ 374,755	\$ 423,645
Board designated funds	2,747,236	1,997,711
Restricted by donor	3,372,235	3,391,853
	<u>\$ 6,494,226</u>	<u>\$ 5,813,209</u>

7. FAIR VALUE MEASUREMENTS

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

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

RIVERVIEW HEALTH

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of December 31, 2021 and 2020.

- *Mutual funds*: Valued at the daily closing price as reported by the fund. Mutual funds held by the Hospital and the Foundation 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 and the Foundation are deemed to be actively traded.
- *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.

RIVERVIEW HEALTH

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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

	2021			
	Total	Level 1	Level 2	Level 3
Hospital				
Assets:				
Assets whose use is limited				
Mutual funds				
Mid-cap blend	\$ 9,563,235	\$ 9,563,235	\$ -0-	\$ -0-
Mid-cap value	21,217,140	21,217,140	-0-	-0-
Large growth	7,735,667	7,735,667	-0-	-0-
Large blend	19,774,981	19,774,981	-0-	-0-
Large value	5,686,678	5,686,678	-0-	-0-
Fixed income	7,403,617	7,403,617	-0-	-0-
Total mutual funds	71,381,318	<u>\$ 71,381,318</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Cash and cash equivalents				
Money market deposit accounts	2,268,969			
Total assets whose use is limited	<u>\$ 73,650,287</u>			
Other long-term liabilities:				
Interest rate swap agreements	\$ 1,805,857	\$ -0-	\$ 1,805,857	\$ -0-
Foundation				
Assets:				
Assets whose use is limited				
Mutual funds				
Mid-cap blend	\$ 390,928	\$ 390,928	\$ -0-	\$ -0-
Large growth	1,437,408	1,437,408	-0-	-0-
Large blend	1,488,569	1,488,569	-0-	-0-
Large value	448,075	448,075	-0-	-0-
Fixed income	2,354,491	2,354,491	-0-	-0-
Total mutual funds	6,119,471	<u>\$ 6,119,471</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Total assets whose use is limited	<u>\$ 6,119,471</u>			

RIVERVIEW HEALTH

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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

	2020			
	Total	Level 1	Level 2	Level 3
Hospital				
Assets				
Assets whose use is limited				
Mutual funds				
Small value	\$ 2,194,354	\$ 2,194,354	\$ -0-	\$ -0-
Mid-cap growth	21,868,653	21,868,653	-0-	-0-
Mid-cap blend	1,272,262	1,272,262	-0-	-0-
Mid-cap value	1,396,701	1,396,701	-0-	-0-
Large growth	4,559,810	4,559,810	-0-	-0-
Large blend	20,687,666	20,687,666	-0-	-0-
Large value	8,288,873	8,288,873	-0-	-0-
Fixed income	3,912,101	3,912,101	-0-	-0-
Total mutual funds	64,180,420	\$ 64,180,420	\$ -0-	\$ -0-
Cash and cash equivalents				
Money market deposit accounts	1,517,827			
Total assets whose use is limited	\$ 65,698,247			
Other long-term liabilities:				
Interest rate swap agreements	\$ 3,967,800	\$ -0-	\$ 3,967,800	\$ -0-
Foundation				
Assets:				
Assets whose use is limited				
Mutual funds				
Mid-cap blend	\$ 200,261	\$ 200,261	\$ -0-	\$ -0-
Large growth	1,488,328	1,488,328	-0-	-0-
Large blend	935,945	935,945	-0-	-0-
Large value	467,796	467,796	-0-	-0-
Fixed income	2,297,234	2,297,234	-0-	-0-
Total mutual funds	5,389,564	\$ 5,389,564	\$ -0-	\$ -0-
Total assets whose use is limited	\$ 5,389,564			

The Hospital's policy is to recognize transfers between levels as of the end of the reporting period. There were no transfers during 2021 and 2020.

Realized gains and losses and interest income are reported in the statements of revenues, expenses, and changes in net position as a component of investment income. Net realized gains and interest income approximated \$2,800,000 and \$500,000 during 2021 and 2020, respectively.

The market value of investments exceeded the cost by approximately \$16,300,000 and \$10,100,000 as of December 31, 2021 and 2020, respectively. The unrealized gains and losses are included in earnings for the period attributable to the change in unrealized gains or losses relating to assets held as of December 31, 2021 and 2020. During 2021 and 2020, the Hospital recognized an unrealized gain of approximately \$6,200,000 and \$8,100,000, respectively, which is included in the statements of revenues, expenses and changes in net position as a component of investment income.

RIVERVIEW HEALTH

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

The Hospital and the Foundation hold 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 financial statements.

The following methods and assumptions were used by the Hospital in estimating the fair value of its financial instruments:

Long-term debt: Fair value of the Hospital's long-term debt, estimated using discounted cash flow analysis, for the Series 2011 (2020 only), 2012, 2013, 2016, and 2017 bonds approximated \$50,500,000 and \$55,100,000 as of December 31, 2021 and 2020, respectively.

8. CAPITAL ASSETS

Capital asset progressions for 2021 and 2020 follow:

	December 31, 2020	Additions	Retirements	Transfers	December 31, 2021
Hospital					
Land	\$ 15,961,384	\$ 89,030	\$ -0-	\$ -0-	\$ 16,050,414
Land improvements	3,160,234	70,856	-0-	-0-	3,231,090
Buildings and improvements	166,929,058	105,425	-0-	538,675	167,573,158
Equipment	204,283,999	9,746,816	(1,794,510)	3,678,695	215,915,000
Construction in progress	5,813,392	1,063,747	(10,500)	(4,217,370)	2,649,269
Total capital assets	396,148,067	11,075,874	(1,805,010)	-0-	405,418,931
Less accumulated depreciation					
Land improvements	2,683,232	89,363	-0-	-0-	2,772,595
Buildings and improvements	88,790,559	5,959,705	-0-	-0-	94,750,264
Equipment	120,636,226	15,241,609	(1,794,510)	-0-	134,083,325
Total accumulated depreciation	212,110,017	21,290,677	(1,794,510)	-0-	231,606,184
Capital assets, net	\$ 184,038,050	\$ (10,214,803)	\$ (10,500)	\$ -0-	\$ 173,812,747

	December 31, 2019	Additions	Retirements	Transfers	December 31, 2020
Hospital					
Land	\$ 15,961,384	\$ -0-	\$ -0-	\$ -0-	\$ 15,961,384
Land improvements	3,133,150	10,746	-0-	16,338	3,160,234
Buildings and improvements	166,003,248	180,746	(248,287)	993,351	166,929,058
Equipment	194,863,563	7,959,956	(1,158,328)	2,618,808	204,283,999
Construction in progress	4,805,804	4,636,085	-0-	(3,628,497)	5,813,392
Total capital assets	384,767,149	12,787,533	(1,406,615)	-0-	396,148,067
Less accumulated depreciation					
Land improvements	2,590,391	92,841	-0-	-0-	2,683,232
Buildings and improvements	82,819,925	6,015,349	(44,715)	-0-	88,790,559
Equipment	106,242,614	15,547,670	(1,154,058)	-0-	120,636,226
Total accumulated depreciation	191,652,930	21,655,860	(1,198,773)	-0-	212,110,017
Capital assets, net	\$ 193,114,219	\$ (8,868,327)	\$ (207,842)	\$ -0-	\$ 184,038,050

RIVERVIEW HEALTH

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

As of December 31, 2021, the estimated cost to complete outstanding projects included within construction in progress was approximately \$9,700,000, which is nearly all related to the Hospital's expansion of the Hospital's campus in Noblesville, Indiana. The Hospital intends to cover the costs of construction with a combination of cash and investments on hand and intends to complete these projects during 2022.

9. LINE OF CREDIT AND LONG-TERM DEBT

Line of Credit

The Hospital had a \$20,000,000 revolving bank line of credit that expired in May 2021. Upon expiration in May 2021, the revolving bank line of credit was renewed with a maximum amount available of \$15,000,000 that expires in May 2022. As of December 31, 2021 and 2020, the outstanding balance was approximately \$11,000,000 and \$7,000,000, respectively. The line of credit is collateralized by net revenues of the Hospital. Interest rate is variable at 2.10% and 2.15% as of December 31, 2021 and 2020, respectively. The variable rate is applied at the one month London Inter-Bank Offered Rate (LIBOR) plus 2.00%. Under the terms of the revolving bank line of credit, the Hospital is required to meet certain financial covenants. The Hospital believes it is in compliance with all covenants as of December 31, 2021 and 2020, respectively.

Direct Placements

In 2011, the Hospital borrowed from the Indiana Finance Authority (the Authority), the Hospital Refunding Revenue Bonds, Series 2011 Bonds for \$7,000,000 to refinance existing Series 1999 Bonds. The Hospital, the Authority, and GE Government Finance, Inc. then entered into a Bond Purchase and Loan Agreement (the Agreement). GE Government Finance, Inc. purchased from the Authority all of the Series 2011 Bonds in private placements. The Series 2011 Bonds bear interest at a fixed rate of 4.20% and matured during September 2021.

In 2012, the Hospital borrowed from the Indiana Finance Authority (the Authority), the Hospital Refunding Revenue Bonds, Series 2012 Bonds for \$16,900,000 to refinance existing Series 2004 Bonds. The Hospital, the Authority, and BMO Harris Bank N.A. then entered into a bond purchase and loan agreement. BMO Harris Bank N.A. purchased from the Authority all of the Series 2012 Bonds in a private placement. The Series 2012 Bonds bear interest at a variable rate applied at 0.74 times the one-month LIBOR plus 1.75%. The variable interest rate is 1.37% and 1.71% as of December 31, 2021 and 2020, respectively. The bonds are collateralized by net revenues of the Hospital and mature on December 1, 2027. An associated interest rate swap has fixed rate of 2.67%, with a liability fair value of approximately \$111,000 and \$276,000 as of December 31, 2021 and 2020, respectively. The interest rate swap is included in other long-term liabilities on the balance sheets as of December 31, 2021 and 2020, respectively.

RIVERVIEW HEALTH

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

In 2013, the Hospital borrowed from the Indiana Finance Authority (the Authority), the Hospital Refunding Revenue Bonds, Series 2013 Bonds for \$17,000,000 to refinance existing Series 2010 Bonds. The Hospital, the Authority, and BMO Harris Bank N.A. then entered into a bond purchase and loan agreement. BMO Harris Bank N.A. purchased from the Authority all of the Series 2013 Bonds in a private placement. The Series 2013 Bonds bear interest at a variable rate applied at 0.74 times the one-month LIBOR plus 1.25%. The variable interest rate is 1.00% and 1.26% as of December 31, 2021 and 2020, respectively. The bonds are collateralized by net revenues of the Hospital and mature on October 1, 2028. An associated interest rate swap has fixed rate of 3.10%, with a liability fair value of approximately \$284,000 and \$586,000 as of December 31, 2021 and 2020, respectively, which is in other long-term liabilities on the balance sheets.

In 2016, the Hospital borrowed from the Indiana Finance Authority (the Authority), the Hospital Revenue Bonds, Series 2016 Bonds for \$36,000,000 to use for Riverview Hospital Westfield Project. The Hospital, the Authority, BMO Harris Bank N.A. and MainSource Bank then entered into bond purchases and loan agreements. BMO Harris Bank N.A. (commitment of \$21,000,000) and MainSource Bank (commitment of \$15,000,000) purchased from the Authority all of the Series 2016 Bonds in private placements. The Series 2016 Bonds bear interest at a variable rate applied at 0.70 times the one-month LIBOR plus .952%. The variable interest rate is .74% and 1.29% as of December 31, 2021 and 2020, respectively. The bonds are collateralized by net revenues of the Hospital and mature on May 1, 2042. An associated interest rate swap has a fixed rate of 1.32%, with a liability fair value of approximately \$999,000 and \$2,298,000 as of December 31, 2021 and 2020, respectively. The interest rate swap is included in other long-term liabilities on the balance sheets as of December 31, 2021 and 2020, respectively.

In 2017, the Hospital borrowed from the Indiana Finance Authority (the Authority), the Hospital Revenue Bonds, Series 2017 Bonds for \$10,000,000 to use for Riverview Hospital Westfield 2 Project. The Hospital, the Authority, BMO Harris Bank N.A. then entered into a bond purchase and loan agreement. BMO Harris Bank N.A. purchased from the Authority all of the Series 2017 Bonds in a private placement. The Series 2017 Bonds bear interest at a variable rate applied at 0.70 times the one-month LIBOR plus .952%. The variable interest rate is .74% and 1.29% as of December 31, 2021 and 2020, respectively. The bonds are collateralized by net revenues of the Hospital and mature on May 1, 2042. An associated interest rate swap has a fixed rate of 1.71%, with a liability fair value of approximately \$412,000 and \$808,000 as of December 31, 2021 and 2020, respectively, which is in other long-term liabilities on the balance sheets.

Capital lease obligations exist, at varying interest rates of imputed interest of 5.00% to 7.30%, maturing from 2023 through 2026, collateralized by leased equipment with cost of approximately \$2,432,000 and \$340,000 as of December 31, 2021 and 2020, respectively. Accumulated depreciation on capital leases was approximately \$265,000 and \$91,000 as of December 31, 2021 and 2020, respectively.

The bonds above are covered under a Mater Trust Indenture. Under the terms of the revenue bond indenture, there is a limit on the incurrence of additional borrowings and the Hospital is required to satisfy certain measures of financial performances as long as the notes 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, 2021 and 2020.

RIVERVIEW HEALTH

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

A summary of long-term debt as of December 31, 2021 and 2020 includes the following:

	December 31, 2020	Additional Borrowings	Payments	December 31, 2021	Current Portion
Revenue bonds payable					
Direct Placement - 2011 Bonds	\$ 632,799	\$ -0-	\$ 632,799	\$ -0-	\$ -0-
Direct Placement - 2012 Bonds	8,700,000	-0-	1,150,000	7,550,000	1,180,000
Direct Placement - 2013 Bonds	9,915,000	-0-	1,140,000	8,775,000	1,175,000
Direct Placement - 2016 Bonds	31,680,000	-0-	1,440,000	30,240,000	1,440,000
Direct Placement - 2017 Bonds	8,800,000	-0-	400,000	8,400,000	400,000
Total revenue bonds	<u>59,727,799</u>	<u>-0-</u>	<u>4,762,799</u>	<u>54,965,000</u>	<u>4,195,000</u>
Capital lease obligations	213,559	2,091,845	73,834	2,231,570	187,965
	<u>\$ 59,941,358</u>	<u>\$ 2,091,845</u>	<u>\$ 4,836,633</u>	<u>\$ 57,196,570</u>	<u>\$ 4,382,965</u>
	December 31, 2019	Additional Borrowings	Payments	December 31, 2020	Current Portion
Revenue bonds payable					
Direct Placement - 2011 Bonds	\$ 1,446,165	\$ -0-	\$ 813,366	\$ 632,799	\$ 632,799
Direct Placement - 2012 Bonds	9,820,000	-0-	1,120,000	8,700,000	1,150,000
Direct Placement - 2013 Bonds	11,005,000	-0-	1,090,000	9,915,000	1,140,000
Direct Placement - 2016 Bonds	33,120,000	-0-	1,440,000	31,680,000	1,440,000
Direct Placement - 2017 Bonds	9,200,000	-0-	400,000	8,800,000	400,000
Total revenue bonds	<u>64,591,165</u>	<u>-0-</u>	<u>4,863,366</u>	<u>59,727,799</u>	<u>4,762,799</u>
Capital lease obligations	287,332	-0-	73,773	213,559	73,833
	<u>\$ 64,878,497</u>	<u>\$ -0-</u>	<u>\$ 4,937,139</u>	<u>\$ 59,941,358</u>	<u>\$ 4,836,632</u>

Scheduled principal and interest repayments on long-term debt and payments on capital lease obligations are as follows:

Year Ending December 31,	Direct Placement		Capital Lease Obligations	
	Principal	Interest	Principal	Interest
2022	\$ 4,195,000	\$ 532,666	\$ 187,965	\$ 26,173
2023	4,255,000	460,651	527,491	55,175
2024	4,335,000	386,890	508,832	38,435
2025	4,400,000	311,013	499,974	23,381
2026	4,470,000	232,848	507,308	7,166
2027-2031	13,070,000	365,254	-0-	-0-
Thereafter	20,240,000	239,188	-0-	-0-
	<u>\$ 54,965,000</u>	<u>\$ 2,528,510</u>	<u>\$ 2,231,570</u>	<u>\$ 150,330</u>

The Hospital has recorded deferred outflows on the balance sheets related to the loss on a prior bond refunding. The loss is being amortized over the remaining life of the former bond maturity.

RIVERVIEW HEALTH

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

The Hospital has interest rate swap agreements related to the Series 2012, 2013, 2016, and 2017 Bonds. The interest rate swap agreements do not affect the obligation of the Hospital under the indenture to repay principal and interest on the Series 2012, 2013, 2016, or 2017 Bonds. However, during the term of the swap agreements, the Hospital effectively pays a fixed rate on a portion of the debt. A portion of the debt service requirements to maturity for the Series 2012, 2013, 2016 and 2017 Bonds are based on that fixed rate. The Hospital will be exposed to variable rates if the counterparty to the swaps defaults or the swap agreements are terminated.

A termination of the swap agreements may also result in the Hospital making or receiving a termination payment. As of December 31, 2021 and 2020, the variable rates on the Series 2012, 2013, 2016 and 2017 Bonds were lower than the swap agreement fixed rate. The table related to future maturities above utilizes the swap fixed interest rates for the Series 2012, 2013, 2016 and 2017 Bonds.

See the footnote on Derivative Instruments – Interest Rate Swaps for additional information.

10. DERIVATIVE INSTRUMENTS – INTEREST RATE SWAPS

The Hospital adheres to GASB No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The guidance requires governmental entities to evaluate each derivative instrument to determine whether the instrument is an effective hedge.

For those instruments deemed an effective hedge, governmental entities are required to practice hedge accounting and the instrument continues to be reevaluated at the end of each future reporting period. Under hedge accounting, the fair value of the instrument is recorded on the balance sheet with the offsetting entry to deferred outflows or deferred inflows, which also reported on the balance sheet.

For those instruments deemed an ineffective hedge, governmental entities are required to practice investment accounting and the instruments are not evaluated in future reporting periods. Once deemed ineffective, the instrument is considered ineffective for the remainder of its term. Under investment accounting, the fair value of the instrument is recorded on the balance sheet with the offsetting entry posted to investment income.

Contracts

The Hospital has four interest rate swap agreements in effect as of December 31, 2021 and 2020, respectively, for the 2012, 2013, 2016 and 2017 revenue bonds.

RIVERVIEW HEALTH

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Objectives and Strategies for Using Derivatives

As a means to manage the risk associated with interest rate risk on its variable rate debt, the Hospital entered into interest rate swaps agreements in connection with its 2012, 2013, 2016 and 2017 revenue bonds. The intention of the swap agreements was to effectively change the Hospital's variable interest rate on the Series 2012 Bonds to a fixed rate of 2.67%, change the Hospital's variable interest rate on the Series 2013 Bonds to a fixed rate of 3.10%, change the Hospital's variable interest rate on the Series 2016 Bonds to a fixed rate of 1.32%, and change the Hospital's variable interest rate on the Series 2017 Bonds to a fixed rate of 1.71%.

Terms, Fair Values and Credit Risk

The swap agreements relate to the Series 2012, 2013, 2016 and 2017 Bonds with original notional amounts of \$16,900,000, \$17,000,000, \$34,560,000 and \$9,600,000 respectively. The counter party is the same for each swap agreement. The terms and fair values of the outstanding swaps as of December 31, 2021 are as follows:

Associated Bond Issue	Original Notational Amount	Current Notional Amount	Effective date	Fixed rate	Variable rate	Fair value	Termination date	Counterparty credit rating
2012 Series Bonds	\$ 16,900,000	\$ 7,550,000	February 1, 2013	2.67%	.74 times (1M Libor plus 1.75%)	\$ (110,562)	December 1, 2022	Aa2/A+/AA
2013 Series Bonds	17,000,000	8,775,000	October 1, 2013	3.10%	.74 times (1M Libor plus 1.25%)	(283,886)	October 2, 2023	Aa2/A+/AA
2016 Series Bonds	34,560,000	30,240,000	May 1, 2018	1.32%	.70 times (1M Libor plus .952%)	(999,012)	October 30, 2026	Aa2/A+/AA
2017 Series Bonds	9,600,000	8,400,000	May 1, 2018	1.71%	.70 times (1M Libor plus .952%)	(412,397)	October 30, 2026	Aa2/A+/AA
	<u>\$ 78,060,000</u>	<u>\$ 54,965,000</u>				<u>\$ (1,805,857)</u>		

As of December 31, 2021, negative fair values of the agreements may be countered by reductions in total interest payments under the swap agreements should the variable rates on the 2012, 2013, 2016 and 2017 Series Bonds increase.

Basis Risk

The swaps variable rates are pegged to USD-LIBOR-BBA index. The Series 2012, 2013, 2016 and 2017 Bonds variable rates are determined through remarketing. Therefore, basis risk relating to the swaps could be significant.

Termination Risk

The Hospital or the counter party may terminate the swaps if the other party fails to perform under the terms of the contracts. If at the time of termination, the swaps have a negative fair value, the Hospital could be liable to the counter party for a payment equal to the swaps' fair values. As of December 31, 2021 and 2020, the Hospital complied with the terms of the swap contracts.

RIVERVIEW HEALTH

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Swap Payments and Associated Debt

Using rates as of December 31, 2021, debt service requirements of the variable rate debt and net swap payments of the Series 2012, 2013, 2016 and 2017 Bonds, assuming current interest rates remain the same for the term of the bonds, are disclosed in the Line of Credit and Long Term Debt note. As rates vary, variable-rate bond interest payments and net swap payments will vary.

The Hospital has determined the swaps to be ineffective hedges. Accordingly, the fair value of the swaps have been recorded and subsequent changes in fair value will be recorded in the balance sheets with the offsetting entry recorded under nonoperating revenue (expenses) in the statements of revenues, expenses and changes in net position.

Following is an analysis of the recording of the interest rate swap agreements:

	Liability	
	2021	2020
2012 Series bonds interest rate swap	\$ 110,562	\$ 275,877
2013 Series bonds interest rate swap	283,886	586,089
2016 Series bonds interest rate swap	999,012	2,298,033
2017 Series bonds interest rate swap	412,397	807,801
	\$ 1,805,857	\$ 3,967,800

Financial instrument	2021	2020	Location
2012 Series bonds interest rate swap	\$ 165,315	\$ (171,575)	Investment income
2013 Series bonds interest rate swap	302,202	(183,867)	Investment income
2016 Series bonds interest rate swap	1,299,022	(1,628,520)	Investment income
2017 Series bonds interest rate swap	395,404	(427,498)	Investment income
Total loss	\$ 2,161,943	\$ (2,411,460)	

See the Fair Value Measurements and Line of Credit and Long-Term Debt footnotes for additional information.

11. PENSION PLAN

Plan Description

The Hospital has three defined contribution pension plans: the Riverview Health Employees' Pension Plan, the Riverview Health 403(b) Retirement Plan, and the Riverview Health 457(b) Deferred Compensation Plan, as authorized by IC 16-22-3-11. The plans are administered by the Hospital and cover all employees who meet eligibility requirements as to age and length of service. The plans provide retirement, disability and death benefits to plan members and beneficiaries. The plans' provisions and contribution requirements were established by written agreement between the Hospital Board of Trustees and Transamerica Retirement Solutions, LLC (Plan Administrator).

RIVERVIEW HEALTH

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

The Employees' Pension Plan covers all eligible employees who have been employed by the Hospital prior to July 1, 2008, and the Hospital is required to contribute 3% of an employee's compensation up to \$285,000. Certain employees hired subsequently to June 30, 2008 are eligible for the plan if conditions in the plan document are met.

The 403(b) Plan match rate on employee contributions is discretionary. During 2021 and 2020, the Hospital matched 50% of employee elective deferrals into the 403(b) Plan, up to 3% of a participant's eligible compensation.

The maximum employee contributions are subject to regulatory caps for both of the plans. Employer contributions including both plans were approximately \$1,050,000 and \$1,470,000 for 2021 and 2020, respectively. The Hospital is not permitted to contribute to the 457(b) Plan.

12. COMMITMENTS AND CONTINGENCIES

Operating leases – lessee: The Hospital is committed under various noncancelable operating leases for equipment and facilities. These expire in various years through 2024 with options to renew.

The following is a schedule of future minimum lease payments under noncancelable operating leases as of December 31, 2021, that have initial or remaining lease terms in excess of one year.

Year ending December 31,	
2022	\$ 1,624,952
2023	936,278
2024	231,270
	<u>\$ 2,792,500</u>

Total rental expense was approximately \$40,900,000 and \$44,100,000 for 2021 and 2020, respectively, primarily related to rental expenses within long-term care.

Operating leases – lessor: The Hospital leases space to tenants under operating leases with terms of one to ten years. Leased space consists of buildings with a total cost of approximately \$82,300,000 and \$63,800,000 as of December 31, 2021 and 2020, respectively, and accumulated depreciation of approximately \$18,400,000 and \$12,300,000 as of December 31, 2021 and 2020, respectively. Total rental income for all operating leases was approximately \$880,000 and \$901,000 for 2021 and 2020, respectively, and is included within other operating revenue in the statements of revenue, expenses, and changes in net position.

RIVERVIEW HEALTH

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Future minimum rentals under the leases are as follows:

Year ending December 31,	
2022	494,400
2023	490,725
2024	479,915
2025	469,105
2026	314,059
	<u>\$ 2,248,204</u>

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.

13. CONCENTRATION OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The mix of receivables and gross patient service revenues from patients and third-party payors for 2021 and 2020 was as follows:

	Receivables		Revenues	
	2021	2020	2021	2020
Self-pay	11%	10%	7%	7%
Medicare	33%	36%	36%	37%
Medicaid	24%	17%	33%	34%
Other Commercial	32%	37%	24%	22%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

14. JOINT VENTURES

VHA Tri-State Health Plans, Inc. (VHA): The Hospital has ownership in a joint venture with numerous other hospitals located throughout the State of Indiana. The purpose of the venture is to provide a preferred provider network available to employers in the service area of the investor hospital, which the hospitals would not be able to economically provide on an independent basis.

The Hospital contributed capital of \$1,000 for approximately 5% ownership. The investment is recorded using the cost method and is included in other assets on the balance sheets. VHA has a 3.11% ownership in HealthCare Group, Inc., which has the same purpose as VHA.

RIVERVIEW HEALTH

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Riverview Surgical Management Associates, LLC: The Hospital has a 51% and 53% ownership in Riverview Surgical Management Associates, LLC. (RSMA) at December 31, 2021 and 2020, respectively. RSMA has been contracted by the Hospital to operate the surgery center and provide management services thereto. RSMA provides complete management and administrative services for and on behalf of the Hospital. This agreement automatically renews for successive one-year terms unless either party provides written notice at least ninety days prior to the end of the term. The Hospital recorded an asset related to this investment of approximately \$819,000 and \$851,000 as of December 31, 2021 and 2020, respectively. The Hospital recorded this investment under the equity method of accounting, as it did not control key operating and governance factors in RSMA. The investment is included in other assets on the balance sheets. Amounts paid to RSMA in both 2021 and 2020 were approximately \$1,100,000 comprising of management fees, lease payments and other expenses.

Suburban Home Health, LLC: During 2015, the Hospital purchased a 50% ownership in Suburban Home Health, LLC (SHH) for \$750,000 and has a 43% ownership in SHH at December 31, 2021 and 2020. The Hospital recorded an asset related to this investment of approximately \$617,000 as of December 31, 2021 and 2020. The Hospital recorded this investment under the equity method of accounting, as it did not control key operating and governance factors in SHH. The investment is included in other assets on the balance sheets. Transactions between SHH and the Hospital during 2021 and 2020, outside of the initial investment, were immaterial to the financial statements as a whole.

St. Vincent Heart Center of Indiana, LLC: The Hospital purchased a 2% ownership in St. Vincent Heart Center of Indiana, LLC (Heart Center) during 2016 for approximately \$4,600,000 and has a 2% ownership in the Heart Center at December 31, 2021 and 2020. The Hospital has accounted for this investment under the cost method of accounting and assesses the investment for impairment on an annual basis. As of December 31, 2021 and 2020, the investment was not deemed to be impaired. The investment is included in other assets on the balance sheets. The Hospital received dividend distributions of approximately \$1,544,000 and \$1,426,000 during 2021 and 2020, respectively. The dividends are included within other operating revenue in the statements of revenue, expenses, and changes in net position.

Intuitive Health of Hamilton County, LLC: During 2018, the Hospital formed Intuitive Health of Hamilton County, LLC (IHHC) and has a 51% ownership in IHHC at December 31, 2021 and 2020. The Hospital recorded an asset related to this investment of approximately \$2,110,000 and \$2,620,000 as of December 31, 2021. The Hospital recorded this investment under the equity method of accounting, as it does not control key operating and governance factors in IHHC. The investment is included in other assets on the balance sheets. Transactions between IHCC and the Hospital during 2021 and 2020 were immaterial to the financial statements as a whole.

Accounts receivable and payable from these related parties as of December 31, 2021 and 2020 are included in related party receivables and related party payables in the accompanying balance sheets, and are immaterial to the financial statements as a whole. Separate financial statements related to these joint ventures may be obtained by contacting Hospital management.

RIVERVIEW HEALTH

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

15. SELF-INSURANCE

The Hospital's employee health care insurance is provided through a combination of self-insurance and purchased insurance coverage from a commercial carrier. The Hospital maintains an estimated liability for claims incurred but not reported. Substantially, all employees are covered for major medical benefits. Total self-health insurance expense for 2021 and 2020 was approximately \$6,700,000 and \$6,600,000, respectively. Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

Changes in balance of health claim liabilities during 2021 and 2020 are as follows:

	2021	2020
Unpaid claims, beginning of year	\$ 942,816	\$ 908,493
Incurred claims and changes in estimates	6,674,325	6,630,453
Claim payments	<u>(6,673,419)</u>	<u>(6,596,130)</u>
Unpaid claims, end of year	<u>\$ 943,722</u>	<u>\$ 942,816</u>

The estimated health claims liability is included in salaries, wages, and related payables on the balance sheets. The plan has annual reinsurance coverage at a specific level of \$250,000 and \$225,000 during 2021 and 2020, respectively, per claim with a no maximum reimbursement cap per covered person.

16. ESTIMATED MALPRACTICE COSTS

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

The Indiana Medical Malpractice Act, IC 34-18 (the Act) provides a maximum recovery of \$1,800,000 for an occurrence of malpractice. The Act requires the Hospital to maintain medical malpractice liability insurance in the amount of at least \$500,000 per occurrence (\$15,000,000 in the annual aggregate based on hospital bed size). 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.

RIVERVIEW HEALTH

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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, the accrual for estimated malpractice claims costs was approximately \$2,651,000 and \$2,175,000 as of December 31, 2021 and 2020, respectively. It is reasonably possible that this estimate could change materially in the near term.

17. COVID-19

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, loss of, or reduction to, revenue 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 2021 and 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. The Hospital received approximately \$10,743,000 and \$30,757,000 of these funds from the CARES Act during 2021 and 2020, respectively. PRF amounts are recognized to the extent the Hospital meets the terms and conditions. The Hospital recognized PRF of approximately \$15,105,000 and \$26,395,000 as COVID-19 grant funds in nonoperating revenue (expenses) in the statements of revenues, expenses and changes in net position for the years ended December 31, 2021 and 2020, respectively. The Hospital deferred PRF of approximately \$-0- and \$4,362,000, which is included in other current liabilities in the balance sheets as of December 31, 2021 and 2020, respectively. Compliance with the terms and conditions may also be subject to future government review and interpretation. 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.



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

Board of Trustees
Riverview Health
Noblesville, Indiana

Report on the Financial Statements

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Riverview Hospital d/b/a Riverview Health (the Hospital), which comprise the balance sheet as of December 31, 2021, 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 March 28, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting (internal control) as the basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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.

Board of Trustees
Riverview Health
Noblesville, Indiana

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

Purpose of this Report

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

Sincerely,

Blue & Co., LLC

Indianapolis, Indiana
March 28, 2022



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

Board of Trustees
Riverview Health
Noblesville, Indiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Riverview Hospital d/b/a Riverview Health's (the Hospital) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Hospital's major federal programs for the year ended December 31, 2021. The Hospital's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Hospital complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Program

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

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

Board of Trustees
Riverview Health
Noblesville, Indiana

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Hospital's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Hospital's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

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

We have audited the financial statements of the Hospital as of and for the year ended December 31, 2021 and have issued our report thereon dated March 28, 2022, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by the Uniform Guidance, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

Board of Trustees
Riverview Health
Noblesville, Indiana

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Sincerely,

Blue & Co., LLC

Indianapolis, Indiana

August 1, 2022

RIVERVIEW HEALTH

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2021

Federal Grantor/Program or Cluster Title	Grant Identification	CFDA Number	Federal Expenditures
Major program			
U.S. Department of Health and Human Services (DHHS) COVID-19 - Provider Relief Fund	N/A	93.498	\$ 30,756,979
Non-major programs			
DHHS COVID-19 - Uninsured Program	N/A	93.461	127,890
Total federal expenditures			<u>\$ 30,884,869</u>

See report of independent auditors on pages 42 through 45 and accompanying notes to schedule of expenditures of federal awards.

RIVERVIEW HEALTH

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2021

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Riverview Hospital d/b/a Riverview Health (the Hospital) under programs of the federal government for the year ended December 31, 2021 and is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Hospital, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Hospital.

2. SUMMARY OF SIGNIFICANT POLICIES

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

3. PASS-THROUGH FUNDS TO SUB-RECIPIENTS

During 2021, the Hospital did not pass-through funds to sub-recipients.

4. PROVIDER RELIEF FUNDS

Under terms and conditions of the Provider Relief Funds (PRF) under the Coronavirus Aids, Relief, and Economic Security (CARES) Act, the Hospital is required to report COVID-19 related expenses and lost revenue to the U.S. Department of Health and Human Services (HHS). Guidance from HHS has required the reporting of the COVID-19 related expenses and lost revenue in certain reporting periods based on when the funds were received.

HHS requires PRF amounts received prior to December 31, 2020, and expended through December 31, 2021, to be reported on the 2021 Schedule rather than the 2020 Schedule. As such, the Hospital received approximately \$30,757,000 in PRF prior to December 31, 2020. During 2021 and 2020, the Hospital recognized \$4,362,000 and \$26,395,000 as revenue in its 2021 and 2020 statements of revenues, expenses and changes in net position, respectively, as the terms and conditions of the PRF grant were satisfied. PRF grants of \$10,743,000 also recognized as revenue in 2021 will be reported on the 2022 Schedule as required by HHS.

5. FAIR MARKET VALUE OF DONATED PERSONAL PROTECTIVE EQUIPMENT (UNAUDITED)

During 2021, the Hospital did not receive donated personal protective equipment from federal sources.

RIVERVIEW HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS DECEMBER 31, 2021

Section I - Summary of Audit Results

Financial Statements

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

Federal Awards

Internal controls over major programs:		
Material weakness(es) identified?	_____ yes	___X___ none reported
Significant deficiency(s) identified that are not considered material weakness(es) noted?	_____ yes	___X___ none reported
Type of auditor's report issued on compliance for major programs:		Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	_____ yes	___X___ no
Identification of major program(s):	<u>CFDA #</u>	<u>Name of Federal Program</u>
	93.498	COVID-19 - Provider Relief Fund
Threshold used to distinguish between Type A and B programs:		\$926,546
Auditee qualified as low-risk auditee?	_____ yes	___X___ no

Section II - Findings Related to Financial Statements Reported in Accordance with Government Auditing Standards:

No matters reported

Section III - Findings and Questioned Costs Relating to Federal Awards

No matters reported

Section IV - Summary Schedule of Prior Audit Findings

Not applicable