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May 17, 2022

Board of Trustees
Columbus Regional Hospital
2400 E. 17th Street
Columbus, IN 47201

We have reviewed the audit report of Columbus Regional Hospital which was opined upon by BKD, LLP, Independent Public Accountants, for the period January 1, 2021 to December 31, 2021. Per the Independent Auditor's Report, the financial statements included in the report present fairly the financial condition of the Columbus Regional Hospital 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, BKD, LLP, prepared the audit report in accordance with the guidelines established by the State Board of Accounts.

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

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

Tammy R. White, CPA
Deputy State Examiner

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana

Auditor's Report and Financial Statements

December 31, 2021 and 2020

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
December 31, 2021 and 2020

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Independent Auditor's Report

Board of Trustees
Columbus Regional Hospital
Columbus, Indiana

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Columbus Regional Hospital (Hospital), a component unit of Bartholomew County, Indiana, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Hospital, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 12 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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis (MD&A) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

BKD, LLP

Indianapolis, Indiana
April 29, 2022

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Management's Discussion and Analysis
December 31, 2021
(Unaudited)

Introduction

This management's discussion and analysis of the financial performance of Columbus Regional Hospital (Hospital) provides an overview of the Hospital's financial activities for the years ended December 31, 2021 and 2020. It should be read in conjunction with the accompanying financial statements of the Hospital. Unless otherwise indicated, amounts are in millions.

Financial Highlights

- Cash and investments increased by \$5.8 million (2.0 percent) in 2021 and increased by \$93.9 million (48.4 percent) in 2020.
- The Hospital's net position increased in 2021 by \$32.5 million (8.5 percent) and increased in 2020 by \$37.0 million (10.7 percent).
- The Hospital reported operating income in 2021 of \$10.6 million after reporting operating losses in each of the two preceding years (\$11.4 million in 2020 and \$3.7 million in 2019).
- Net nonoperating activity decreased in 2021 but remained significant with nonoperating activity netting to income of \$16.5 million. Net nonoperating activity produced income in 2020 and 2019 as well, in the amounts of \$24.4 million and \$22.6 million, respectively.

Using This Annual Report

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

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

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

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

The Statement of Cash Flows

The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as “where did cash come from” and “what was cash used for” and “what was the change in cash and cash equivalents during the reporting period.”

Selected Financial Data and Statistics

See below for selected financial data and statistics for 2021, 2020 and 2019.

Selected Financial Data and Statistics (Dollars in Thousands)

	2021	2020	2019
Summary of Operations			
Revenues	\$ 493,520	\$ 444,107	\$ 457,634
Salaries and benefits	179,778	166,216	169,338
Supplies and drugs	68,797	63,941	66,163
Purchased services and other operating expenses	210,284	200,736	201,664
Depreciation	24,043	24,654	24,196
Total expenses	<u>482,902</u>	<u>455,547</u>	<u>461,361</u>
Operating income (loss)	10,618	(11,440)	(3,727)
Nonoperating COVID-19 grant revenue	<u>5,302</u>	<u>18,429</u>	<u>-</u>
Income (loss) before other nonoperating income	15,920	6,989	(3,727)
Nonoperating income, net	16,479	24,396	22,585
Capital contributions from related party	<u>140</u>	<u>5,650</u>	<u>-</u>
Increase in net position	<u>\$ 32,539</u>	<u>\$ 37,035</u>	<u>\$ 18,858</u>
Cash Flow Data			
Cash provided by operating activities	\$ 9,711	\$ 67,255	\$ 7,833
Cash provided by (used in) noncapital activities	3,591	16,564	(1,783)
Cash used in capital and related financing activities	(22,620)	(18,004)	(38,136)
Cash provided by investing activities	1,516	704	28,795

Selected Financial Data and Statistics
(Dollars in Thousands)

	2021	2020	2019
Financial Position			
Patient accounts receivable, net	\$ 62,875	\$ 50,632	\$ 54,641
Other current assets	116,340	120,989	58,584
Capital assets, net	164,428	172,217	175,209
Other noncurrent assets and deferred outflows of resources	214,526	197,565	175,797
Total assets and deferred outflows of resources	<u>\$ 558,169</u>	<u>\$ 541,403</u>	<u>\$ 464,231</u>
Long-term debt, including current portion	\$ 35,485	\$ 42,670	\$ 49,450
Other liabilities	105,831	114,416	67,498
Total liabilities	<u>\$ 141,316</u>	<u>\$ 157,086</u>	<u>\$ 116,948</u>
Unrestricted net position	\$ 287,911	\$ 254,770	\$ 221,524
Net investment in capital assets	128,943	129,547	125,759
Total net position	<u>\$ 416,854</u>	<u>\$ 384,317</u>	<u>\$ 347,283</u>

The Hospital's Net Position

The Hospital's net position is the difference between its assets, liabilities and deferred inflows and outflows of resources reported in the balance sheet.

A significant change in the Hospital's assets in 2021 is the increase in patient accounts receivable, which increased by \$12.2 million, or 24.2 percent. The increase is the result of several factors, including an 11 percent increase in net patient service revenue, significant patient volumes around year-end, and longer time horizons within the Hospital's collection cycle stemming from delays with insurers and the increased usage of patient payment plans.

Another significant change in the Hospital's financial position in 2021 is the decrease in other accrued liabilities, both current and noncurrent, which declined from \$69.9 million in 2020 to \$51.3 million in 2021. This decrease is the result of two primary factors. First, the Hospital's Medicare Accelerated and Advance Payments (which totaled \$37.5 million in 2020) began to be recouped by Medicare in April 2021. These recoupments totaled \$14.3 million in 2021 and will continue through September 2022 unless all cash advances (of which \$23.2 remain outstanding at December 31, 2021) are recouped prior to that date. Second, in 2020, the Hospital elected to defer certain payroll taxes, totaling \$4.7 million, under a provision of law enacted during the pandemic. The deferred payroll taxes were paid or are due in two equal installments, with the first half paid in December 2021, and the second half due in December 2022.

Operating Results and Changes in the Hospital's Net Position

As previously mentioned, the Hospital's net position increased in 2021 by \$32.5 million (8.5 percent) and increased in 2020 by \$37.0 million (10.7 percent). Operating results are discussed below.

The Hospital was formed and is operated primarily to serve residents of Bartholomew County and the surrounding area. The first component of the overall change in the Hospital's net position is its operating income or loss—generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. The Hospital reported operating income of \$10.6 million in 2021 after suffering an operating loss of \$11.4 million in 2020.

The primary components of the Hospital's operating results are:

- Net patient service revenue, which saw a year-over-year increase of \$49.6 million (11.3 percent).
- Salaries, wages, and benefits, which saw a year-over-year increase of \$13.6 million (8.2 percent).
- Professional fees and purchased services, which saw a year-over-year increase of \$6.5 million (3.7 percent).
- Supplies expense, which saw a year-over-year increase of \$4.9 million (7.6 percent).
- Hospital assessment fee, which increased year-over-year by \$2.5 million (16.4 percent).

The change in net patient service revenue is primarily attributable to the relative decreased impact of the COVID-19 pandemic on the Hospital's operations in 2021 as compared to 2020. Increases in patient volumes were seen both from an inpatient perspective, measured by patient days and discharges, as well as from an outpatient perspective, measured by patient registrations and visits. The increases to operating expenses are largely driven by macroeconomic factors, including highly competitive labor markets contributing to increased employee costs and an overall inflationary economy contributing to increased costs for supplies, contract services, and other purchases.

Refer to the below tables, which display the number of patients served by the Hospital over the past three years, as well as the approximate percentages of gross patient revenues by payor for the Hospital (excluding CRHP and other blended component units).

Hospital - Patients Served

Year	(Discharges) Inpatients	(Registrations) Outpatients	Total
2021	9,474	277,099	286,573
2020	8,766	239,074	247,840
2019	8,940	252,407	261,347

Hospital - Gross Patient Revenues Composition by Payor

Payor	2021	2020	2019
Medicare	49.8%	50.8%	50.5%
Medicaid	17.1%	15.9%	14.2%
Managed care plans	29.3%	27.5%	28.6%
Other	3.8%	5.8%	6.7%

Nonoperating Income and Expenses

For reporting purposes in 2021 and 2020, nonoperating income and expenses are presented in two separate components: (1) COVID-19 grant revenue and (2) all other nonoperating income and expenses.

As part of the continued response to the COVID-19 pandemic, for 2021, the Hospital recognized as grant revenue the following:

- Provider Relief Funds of \$4.9 million
- Federal Emergency Management Agency (FEMA) funding of \$0.4 million

Within all other nonoperating income and expenses, the Hospital recognized strong investment returns once again in 2021, with a yearly total of \$13.8 million. Investment returns in 2020 and 2019 were \$27.8 million and \$26.0 million, respectively. This was largely attributable to market forces, as the overall market continued to experience tremendous growth throughout the majority of 2021. The Hospital also recognized \$5.1 million of gains in 2021 from its equity method joint venture investments. The combination of interest expense, contribution expense and all other nonoperating expenses remained steady between years, with \$2.4 million of expense for 2021 and \$3.4 million of expense for 2020.

The Hospital's Cash Flows

Despite the improved operating performance in 2021, the Hospital's cash decreased by \$7.8 million after increasing by \$66.5 million in 2020. Cash flows provided by operating activities in 2021 and 2020 are \$9.7 million and \$67.3 million, respectively. The decrease in 2021 is due to previously mentioned items, including delays in collections on patient accounts, increased operating costs and changes to Medicare Accelerated and Advance Payments, as the Hospital received \$37.5 million in 2020, and in 2021, \$14.3 million was recouped. Cash flows provided by noncapital financing activities in 2021 and 2020 are \$3.6 million and \$16.6 million, respectively. The decrease in 2021 is due to reduced grant funding from governments. Cash flows used in capital and related financing activities increased to \$22.6 million in 2021, from \$18.0 million in 2020, as the Hospital spent \$6.0 million more for the acquisition and construction of capital assets in 2021 as compared to 2020. Cash flows provided by investing activities remained consistent between years, with \$1.5 million provided in 2021, and \$0.7 million provided in 2020.

Capital Assets

At the end of 2021, the Hospital had \$164 million invested in capital assets, net of accumulated depreciation, as detailed in Note 11 to the financial statements. In 2021, the Hospital purchased or financed (through accounts payable) new property and equipment costing \$17.3 million, for medical equipment and building and improvement projects. As of December 31, 2021, projects still in progress total \$10.1 million, primarily related to building renovation and expansion projects, construction associated with an electrophysiology laboratory, and other medical equipment.

Debt

At December 31, 2021, the Hospital had \$35.5 million in revenue bonds outstanding, financed through the Indiana Health Facility Financing Authority Bonds Series 2014. These revenue bonds are subject to limitations imposed by state law. Over the past three years, there have been no changes in the Hospital's debt ratings, and the Hospital has issued no new debt.

Other Economic Factors

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 as a global pandemic. For healthcare providers, patient volumes and related revenues were affected by COVID-19 as various policies were implemented by federal, state and local governments in response to the pandemic that led many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective procedures by health care facilities. While many of these policies were eased in 2021, and states lifted moratoriums on non-emergent procedures, certain restrictions remained in place. There is still uncertainty around the duration and ultimate financial impacts of the COVID-19 pandemic. The Hospital continues to monitor the direct and indirect impacts of the pandemic and develop responses accordingly to maintain its operational and financial flexibility.

Aside from COVID-19, the healthcare industry continues to be challenged with ongoing healthcare reform and how it will impact the overall care delivery model for hospitals, physicians and other healthcare providers. The Hospital continues to work toward operating in the most efficient manner possible to help mitigate rising costs. The Hospital collaborates with its physician practices (CRHP) to further incorporate patient-centered care and pay-for-performance practices that entail provider-recognition models for exemplary patient service and satisfaction.

Contacting the Hospital's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Hospital Chief Financial Officer's Office at 2400 East 17th Street, Columbus, Indiana, 47201.

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana

Balance Sheets
December 31, 2021 and 2020

Assets and Deferred Outflows of Resources

	2021	2020
Current Assets		
Cash and cash equivalents	\$ 90,427,162	\$ 98,229,624
Patient accounts receivable, less allowance for uncollectible accounts (\$8,500,000 in 2021 and \$8,200,000 in 2020)	62,875,461	50,631,872
Other receivables	9,402,702	9,453,705
Inventories	5,949,171	5,504,372
Prepaid expenses	10,560,611	7,801,920
Total current assets	179,215,107	171,621,493
Noncurrent Cash and Investments		
Internally designated	198,901,991	185,118,809
Deferred compensation investments	4,610,445	4,792,304
Total noncurrent cash and investments	203,512,436	189,911,113
Capital Assets, Net	164,428,185	172,217,434
Joint Venture Investments, Notes Receivable, and Other Assets	10,942,211	7,233,285
Total assets	558,097,939	540,983,325
Deferred Outflows of Resources		
	71,832	420,759
Total assets and deferred outflows of resources	\$ 558,169,771	\$ 541,404,084

Liabilities and Net Position

	<u>2021</u>	<u>2020</u>
Current Liabilities		
Accounts payable	\$ 20,517,331	\$ 19,423,431
Salaries, wages and related liabilities	22,990,254	18,127,347
Estimated third-party payor settlements	6,379,846	1,904,134
Other accrued liabilities	51,260,817	46,965,396
Current portion of long-term debt	<u>1,220,000</u>	<u>7,185,000</u>
Total current liabilities	<u>102,368,248</u>	<u>93,605,308</u>
Noncurrent Liabilities		
Other accrued liabilities	-	22,930,930
Deferred compensation liability	4,610,445	4,792,304
Fair value of interest rate swap agreements	71,832	272,955
Long-term obligations	<u>34,265,000</u>	<u>35,485,000</u>
Total noncurrent liabilities	<u>38,947,277</u>	<u>63,481,189</u>
Total liabilities	<u>141,315,525</u>	<u>157,086,497</u>
Net Position		
Unrestricted	287,911,061	254,770,153
Net investment in capital assets	<u>128,943,185</u>	<u>129,547,434</u>
Total net position	<u>416,854,246</u>	<u>384,317,587</u>
Total liabilities and net position	<u>\$ 558,169,771</u>	<u>\$ 541,404,084</u>

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2021 and 2020

	2021	2020
Operating Revenue		
Net patient service revenue, net of provision for uncollectible accounts of \$7,800,000 in 2021 and \$7,100,000 in 2020	\$ 486,543,480	\$ 436,987,335
Other operating revenue	6,976,915	7,120,003
Total operating revenue	493,520,395	444,107,338
Operating Expenses		
Salaries and wages	142,549,559	133,590,291
Employee benefits	37,228,149	32,625,822
Fees	22,956,987	18,992,133
Supplies	68,797,499	63,940,859
Purchased services	158,409,088	155,829,862
Depreciation	24,043,394	24,653,724
Insurance	4,562,512	4,836,495
Hospital assessment fee	17,494,091	15,031,174
Other	6,862,718	6,046,922
Total operating expenses	482,903,997	455,547,282
Operating Income (Loss)	10,616,398	(11,439,944)
Nonoperating COVID-19 Grant Revenue	5,301,514	18,428,821
Income Before Other Nonoperating Income (Expense)	15,917,912	6,988,877
Other Nonoperating Income (Expense)		
Investment return	13,790,459	27,821,305
Interest expense	(916,565)	(1,344,430)
Gain on equity method joint venture investments	5,115,926	-
Contributions to related organizations	(1,107,176)	(535,321)
Other	(403,897)	(1,545,599)
Total nonoperating income (expense)	16,478,747	24,395,955
Capital Contributions from Related Party	140,000	5,650,030
Increase in Net Position	32,536,659	37,034,862
Net Position, Beginning of Year	384,317,587	347,282,725
Net Position, End of Year	\$ 416,854,246	\$ 384,317,587

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Operating Activities		
Cash received from patients and third-party payors	\$ 464,297,022	\$ 478,741,521
Cash payments to employees for services	(178,975,242)	(156,047,017)
Cash payments to suppliers for goods and services	(282,402,754)	(262,724,427)
Other operating cash received	6,791,869	7,285,214
Net cash provided by operating activities	9,710,895	67,255,291
Noncapital Financing Activities		
Cash received from COVID-19 grants	5,339,468	18,174,080
Contributions to related parties	(1,107,176)	(535,321)
Cash payments for other nonoperating items	(641,658)	(1,075,193)
Net cash provided by noncapital financing activities	3,590,634	16,563,566
Capital and Related Financing Activities		
Principal paid on long-term debt	(7,185,000)	(6,780,000)
Interest paid on long-term debt	(768,761)	(1,196,626)
Acquisition and construction of capital assets	(16,058,027)	(10,027,870)
Proceeds from sale of capital assets	1,391,912	-
Net cash used in capital and related financing activities	(22,619,876)	(18,004,496)
Investing Activities		
Interest and dividend income	2,095,267	11,692,056
Purchases of investments	(26,508,480)	(21,291,141)
Sales of investments	24,420,490	10,000,000
Disbursements for notes receivable	(571,672)	(354,933)
Collections of notes receivable	1,274,472	657,657
Distributions from joint venture investments	910,758	-
Contributions to joint venture investments	(104,950)	-
Net cash provided by investing activities	1,515,885	703,639
Net Increase (Decrease) in Cash and Cash Equivalents	(7,802,462)	66,518,000
Cash and Cash Equivalents at Beginning of Year	98,229,624	31,711,624
Cash and Cash Equivalents at End of Year	\$ 90,427,162	\$ 98,229,624

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Statements of Cash Flows (Continued)
Years Ended December 31, 2021 and 2020

	2021	2020
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating income (loss)	\$ 10,616,398	\$ (11,439,944)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	24,043,394	24,653,724
Provision for uncollectible accounts	7,809,747	7,107,595
Change in assets and liabilities		
Patient accounts receivable and estimated third-party settlements	(15,577,624)	(3,063,170)
Other assets	(3,490,144)	3,065,768
Accounts payable and accrued liabilities	(13,690,876)	46,931,318
Net cash provided by operating activities	<u>\$ 9,710,895</u>	<u>\$ 67,255,291</u>
Additional Cash Flows Information		
Net change in property and equipment acquired through accounts payable	\$ 1,210,269	\$ (165,464)
Property and equipment transferred from related party	140,000	12,249,700
Notes receivable from related party cancelled	-	6,599,670

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Notes to Financial Statements
December 31, 2021 and 2020

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

Nature of Operations and Reporting Entity

Columbus Regional Hospital (Hospital) is an acute care hospital located in Columbus, Indiana. The Hospital is a component unit of Bartholomew County (County) and the Board of County Commissioners appoints members to the Board of Trustees of the Hospital pursuant to the provisions of Indiana Code 16-22-2-2. The Hospital primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in Bartholomew County and surrounding areas.

The Hospital also operates eight long-term care facilities through various lease agreements and management agreements. These facilities provide inpatient and therapy services throughout their respective geographic areas and support the Hospital's mission to provide quality care and services to the facilities' residents. The facilities are managed by third parties under various management agreements. The revenues from operations are the property of the Hospital and the Hospital is responsible for the associated expenses and working capital requirements. Long-term care operations are more fully described in Note 3.

The Hospital is the party to several joint venture activities, which are generally accounted for under the equity method, and are more fully described in Note 10.

The financial statements include the accounts of Columbus Regional Health Physicians, LLC (CRHP); Columbus Area Radiology, LLC (dba Columbus Diagnostic Imaging, or CDI); and Columbus Regional Health System Services, LLC (CRHSS). The primary government appoints a voting majority of these entities' boards of directors and a financial benefit/burden relationship exists between the Hospital and these entities. Although legally separate from the boards, these entities are reported as if they were a part of the Hospital, because they provide services entirely, or almost entirely, to the Hospital. Separate financial statements are not issued for these entities.

Basis of Accounting and Presentation

The financial statements of the Hospital have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, deferred outflows of resources and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions are recognized when all applicable eligibility requirements are met.

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Operating Activities

The Hospital defines operating activities, as reported in the statement of revenues, expenses and changes in net position, as those that generally result from exchange transactions, such as payments received for providing goods and services and payments made for goods and services received, as well as program-specific, government-mandated nonexchange transactions.

Grant revenue from nonexchange transactions, investment income, interest on capital assets-related debt, and contributions to and from related organizations, including contributions of capital assets, are excluded from operating revenues and expenses.

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, deferred outflows of resources and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2021 and 2020, cash equivalents consisted primarily of money market accounts with banks.

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; and employee health, dental and accident benefits. The Hospital insures itself from general liability and medical malpractice liability through participation in a reciprocal risk retention group. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

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

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Investments and Investment Income

For joint venture participation, if the Hospital is deemed to have an ongoing financial interest or ongoing financial responsibility in the joint venture, or if the Hospital's investment in voting stock gives the Hospital the ability to exercise significant influence over the joint venture, the Hospital accounts for the investment in accordance with the equity method of accounting.

All other investments are carried at fair value. Fair value is determined using quoted market prices.

Investment income includes dividend and interest income, realized gains and losses on investments, and the net change for the year in the fair value of investments carried at fair value.

Patient Accounts Receivable

The Hospital reports patient accounts receivable for services rendered at net realizable amounts from third-party payors, patients and others. The Hospital provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Inventories

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

Deferred Compensation Investments

Investments related to a deferred compensation plan, which was available to certain highly compensated employees of CRHP prior to 2016, are carried at fair value. The investments are held by CRHP on behalf of the employees and are recorded as both an asset and a liability on the balance sheets.

Capital Assets

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

Land improvements	10 - 15 years
Buildings and leasehold improvements	15 - 40 years
Equipment	3 - 10 years

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Capital Asset Impairment

The Hospital evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation is increased by the amount of the impairment loss. No asset impairment was recognized during the years ended December 31, 2021 and 2020.

Deferred Outflows of Resources

A deferred outflow of resources is a consumption of net position by the Hospital that is applicable to a future reporting period. Deferred outflows of resources are reported in the balance sheets but are not recognized in the financial statements as expenses until the periods to which they relate. At December 31, 2021, deferred outflows of resources of the Hospital consist only of interest rate swap agreements. The deferred losses on debt refundings (defeasance costs) were fully amortized in 2021.

The composition of deferred outflows of resources was as follows at December 31:

	2021	2020
Deferred losses on debt refundings	\$ -	\$ 147,804
Fair value of interest rate swap agreements	71,832	272,955
Total deferred outflows of resources	\$ 71,832	\$ 420,759

Compensated Absences

Hospital policies permit most employees to accumulate vacation benefits that may be realized as paid time off (PTO) or, in limited circumstances, as a cash payment. Employees earn 24 to 39 PTO days upon attaining specified years of employment. Part-time employees earn PTO hours on a pro rata basis on the specified years of employment. PTO days can be used for vacation, illness or bereavement.

Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Compensated absence liabilities are computed using the regular pay rates in effect at the balance sheet date, plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date. The estimated compensated absences liability is expected to be paid within one year of the balance sheet date and is therefore included in current liabilities.

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Interest Rate Swap Agreements

The Hospital uses interest rate swap agreements to manage financial risks related to interest rate movements and the effects on its cash flows. The Hospital is accounting for the interest rate swap agreements as hedging instruments. As a result, the agreements are recorded at fair value in the balance sheets. The net cash payments or receipts under the interest rate swap agreements are recorded as an increase or decrease to interest expense.

Net Position

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

When both restricted and unrestricted resources are available for use, it is the Hospital's policy to use restricted resources first and then unrestricted resources as they are needed.

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. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

Charity Care

The Hospital provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

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Notes to Financial Statements **December 31, 2021 and 2020**

Income Taxes

As an essential government function of the County, the Hospital is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. In addition, the Hospital and CRHP are exempt from taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the Hospital and CRHP are subject to federal income tax on any unrelated business taxable income. CDI and CRHSS, which are limited liability companies, are not directly subject to income taxes under the provisions of the Internal Revenue Code and applicable state laws. Taxable income or loss is allocated to their members in accordance with their respective percentage ownership for inclusion in their respective tax returns.

Grants and Contributions

From time to time, the Hospital receives certain federal and state grants, as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

Reclassifications

Certain reclassifications have been made to the 2020 financial statements to conform to the 2021 presentation. The reclassifications had no effect on the changes in financial position.

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The following is a financial summary of the Hospital and the component units as of December 31, 2020:

	2020					
	Hospital	CRHP	CRHSS	CDI	Eliminations	Total
Total current assets	\$ 151,335,640	\$ 19,746,934	\$ 360,600	\$ 901,491	\$ (723,172)	\$ 171,621,493
Total noncurrent cash and investments	185,118,809	4,792,304	-	-	-	189,911,113
Capital assets, net	135,437,304	7,329,185	28,564,766	886,179	-	172,217,434
Total other assets	7,233,285	-	-	-	-	7,233,285
Deferred outflows of resources	420,759	-	-	-	-	420,759
Total assets and deferred outflows of resources	\$ 479,545,797	\$ 31,868,423	\$ 28,925,366	\$ 1,787,670	\$ (723,172)	\$ 541,404,084
Total current liabilities	\$ 83,045,883	\$ 10,851,872	\$ 97,190	\$ 333,535	\$ (723,172)	\$ 93,605,308
Total other liabilities	57,704,222	5,776,967	-	-	-	63,481,189
Net position - unrestricted	246,028,388	7,910,399	263,410	567,956	-	254,770,153
Net position - net investment in capital assets	92,767,304	7,329,185	28,564,766	886,179	-	129,547,434
Total liabilities and net position	\$ 479,545,797	\$ 31,868,423	\$ 28,925,366	\$ 1,787,670	\$ (723,172)	\$ 541,404,084
Operating revenue	\$ 405,017,408	\$ 41,969,110	\$ 537,094	\$ 2,250,312	\$ (5,666,586)	\$ 444,107,338
Depreciation	(23,440,112)	(703,433)	(151,298)	(358,881)	-	(24,653,724)
Other operating expenses	(355,753,728)	(78,282,885)	(289,701)	(2,233,830)	5,666,586	(430,893,558)
Operating income (loss)	25,823,568	(37,017,208)	96,095	(342,399)	-	(11,439,944)
Nonoperating COVID-19 grant revenue	17,619,087	782,553	-	27,181	-	18,428,821
Income (loss) before other nonoperating income (expenses)	43,442,655	(36,234,655)	96,095	(315,218)	-	6,988,877
Nonoperating income (expense)	24,761,440	(343,086)	(2,359)	(20,040)	-	24,395,955
Capital contributions from related party	-	-	5,650,030	-	-	5,650,030
Equity transfers	(51,040,418)	44,182,234	6,803,020	55,164	-	-
Change in net position	17,163,677	7,604,493	12,546,786	(280,094)	-	37,034,862
Net position, beginning of year	321,632,015	7,635,091	16,281,390	1,734,229	-	347,282,725
Net position, end of year	\$ 338,795,692	\$ 15,239,584	\$ 28,828,176	\$ 1,454,135	\$ -	\$ 384,317,587

	2020					
	Hospital	CRHP	CRHSS	CDI	Eliminations	Total
Net cash provided by (used in) operating activities	\$ 96,044,262	\$ (29,439,073)	\$ 467,301	\$ 182,801	\$ -	\$ 67,255,291
Net cash provided by noncapital financing activities	16,096,918	439,467	-	27,181	-	16,563,566
Net cash used in capital and related financing activities	(15,536,444)	(1,899,408)	(506,912)	(61,732)	-	(18,004,496)
Net cash provided by (used in) investing activities	(43,478,595)	44,182,234	-	-	-	703,639
Net increase (decrease) in cash and cash equivalents	53,126,141	13,283,220	(39,611)	148,250	-	66,518,000
Cash and cash equivalents at beginning of year	29,735,894	1,226,356	318,314	431,060	-	31,711,624
Cash and cash equivalents at end of year	\$ 82,862,035	\$ 14,509,576	\$ 278,703	\$ 579,310	\$ -	\$ 98,229,624

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Note 3: Long-Term Care Operating Leases and Management Agreements

The Hospital has entered into various agreements to lease the facilities for the operation of eight nursing homes. Along with the lease agreements, the Hospital also entered into management agreements with the facilities' third-party managers (Managers) to continue to operate the facilities. These agreements included original terms, ranging from two years to ten years, with optional extension or renewal periods. The management agreements include optional termination clauses by either party if material changes in circumstances, as defined in the agreements, occur. The leases include termination clauses where the lease shall automatically end at the termination of the management agreement between the Hospital and the Managers.

The lease agreements call for monthly base rent payments as outlined in the agreements. Rental expense approximated \$10.5 million and \$9.9 million in 2021 and 2020, respectively. The management agreements include management fees consisting of base management fees, subordinated management fees and incentive management fees. Base and subordinate management fees are primarily based on percentages of net patient service revenue of the individual facilities, generally ranging from 4% to 5%. Incentive management fees are to be paid only if sufficient working capital exists. The agreements also call for quality, royalty and capital improvement fees to be paid to the Managers. Management and other fees approximated \$8.0 million and \$16.3 million in 2021 and 2020, respectively, and include waivers of certain fees as insufficient cash flows existed to fund the amounts due. All expenses and fees associated with these agreements are included within purchased services expenses in the statements of revenues, expenses and changes in net position.

Under the management agreements, the employees necessary to operate the facilities are contracted by the Hospital. The majority of all costs in the ordinary course of business are paid by the Managers who are then reimbursed by the Hospital from operations of the facilities. Similarly, Managers of certain facilities have provided working capital to cover insufficient cash flows from operations. Consequently, the majority of accounts payable and accrued expenses of the long-term care operations approximating \$15.2 million and \$16.5 million at December 31, 2021 and 2020, reflect amounts due to the Managers and their vendors.

In December 2021, the Hospital received notice from a Manager, which operates one facility, of its intention to terminate the existing lease and management agreements effective February 2022. However, the relationship and associated agreements have not yet been formally terminated as of the audit report date, and negotiations are ongoing between the Hospital and Manager.

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Note 4: 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. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

A summary of payment arrangements includes:

Medicare

Certain inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Certain inpatient nonacute services are paid based on a cost reimbursement methodology. The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor. The Hospital's Medicare cost reports have been audited by the Medicare administrative contractor through December 31, 2016.

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

Medicaid

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

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

Other

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

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Medicaid Disproportionate Share Hospital (DSH) Revenue

The Hospital qualifies as a Medicaid DSH provider under Indiana Law (HEA 1095, Public Law 27-1992) and, as such, is eligible to receive certain supplemental Medicaid payments. The amounts of these supplemental Medicaid payments are dependent on regulatory approval by agencies of the federal and state governments and is determined by level, extent and cost of uncompensated care (as defined) and various other factors. Supplemental Medicaid payments under this program have been made by the state of Indiana, and the Hospital records such amounts as revenue when reasonably determined that the funds will be received. The Hospital recognized approximately \$7.4 million and \$7.2 million of net patient service revenue related to the supplemental Medicaid payment program for the years ended December 31, 2021 and 2020, respectively.

The Hospital participates in a state-specific provider assessment program to increase Medicaid payments to hospitals. The Hospital incurred approximately \$17.5 million and \$15.0 million of fees related to the program in 2021 and 2020, respectively, which is recorded as an operating expense. The provider assessment fee program is subject to retroactive rate setting by the state of Indiana and its Medicaid program and the amounts expensed represent the current fees that have been assessed to the Hospital. There is no assurance this program will continue in the future.

The amounts outstanding and owed under the assessment fee program were \$5.4 million and \$1.2 million at December 31, 2021 and 2020, respectively, and are included as a payable in estimated third-party payor settlements.

Approximately 56% and 56% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2021 and 2020, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The long-term care operations of the Hospital qualify for supplemental Medicaid payments through the Upper Payment Limit (UPL) program. The UPL is established to pay qualifying providers the difference between what Medicare would have paid and what Medicaid actually paid. The UPL is distributed through an intergovernmental transfer (IGT) arrangement. The Hospital is responsible for funding the IGT for the long-term care operations. Revenue associated with the UPL program is recorded net of IGT payments made to the program and are included in net patient service revenue. The Hospital recognized approximately \$21.9 million and \$19.7 million related to this supplemental payment program for the years ended December 31, 2021 and 2020, respectively.

Net patient revenue for 2021 increased by approximately \$2.0 million due to changes in and the removal of previously estimated amounts. Net patient revenue for 2020 decreased by approximately \$1.4 million due to changes in and the removal of previously estimated amounts.

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Details of gross patient charges and contractual allowances are as follows:

	2021	2020
Gross patient charges		
Inpatients	\$ 323,587,167	\$ 287,753,342
Long-term care	94,017,289	109,790,404
Outpatients	620,467,720	522,181,184
Total	1,038,072,176	919,724,930
Charity care charges foregone	(13,557,084)	(15,007,039)
Provision for bad debt	(7,809,747)	(7,107,595)
Contractual allowances	(530,161,865)	(460,622,961)
Net patient service revenue	\$ 486,543,480	\$ 436,987,335

Note 5: Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as revenue. The Hospital maintains records to identify and monitor the level of charity care it provides, as well as the amount of charges foregone for services and supplies furnished under its charity care policy. During the years ended December 31, 2021 and 2020, charges excluded from revenue under its charity policy were \$13.6 million and \$15.0 million, respectively. The estimated net cost of the charity care services provided, calculated using a cost to charge ratio methodology was \$6.2 million for 2021 and \$7.4 million for 2020.

Note 6: COVID-19 Pandemic, CARES Act Funding and Other Funding

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 as a global pandemic. Over the past two years, patient volumes and the related revenues have been affected by COVID-19 stemming from the implementation of various policies by federal, state and local governments in response to the pandemic, as these policies led many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective procedures by health care facilities.

While many of these policies have been eased and states have lifted moratoriums on non-emergent procedures, some restrictions remain in place, and some state and local governments are re-imposing certain restrictions due to increasing rates of COVID-19 cases. The Hospital will continue to monitor the direct and indirect impacts of the pandemic and develop responses accordingly to maintain its operational and financial flexibility.

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The Hospital experienced temporary negative impacts to its operational results during 2021 and 2020. There is considerable uncertainty around the duration and financial impact of the combined market disruption by the COVID-19 pandemic in future periods and cannot be reasonably estimated at this time due to many factors, most of which are beyond the Hospital's control and ability to forecast. Such factors include, but are not limited to, the scope and duration of stay-at-home practices and business closures and restrictions, government-imposed or recommended suspensions of elective procedures, increases in the number of uninsured and underinsured patients as a result of higher sustained rates of unemployment, incremental expenses required for supplies and personal protective equipment, increased costs associated with labor markets, and changes in professional and general liability exposure. Because of these and other uncertainties, decreases in cash flows and operations could result, impacting debt covenant compliance and the inputs and assumptions used in significant accounting estimates, including the allowance for uncollectible accounts related to patient accounts receivable, and potential impairments of long-lived and other assets.

Provider Relief Funds

During the years ended December 31, 2021 and 2020, the Hospital received \$4,730,292 and \$18,074,080, respectively, of distributions from the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) Provider Relief Fund (the Provider Relief Fund). These distributions from the Provider Relief Fund are not subject to repayment, provided the Hospital is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses and/or lost revenue attributable to COVID-19, as defined by the Department of Health and Human Services (HHS).

The Hospital accounts for such payments as voluntary nonexchange transactions in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Payments are recognized as grant revenue once the applicable terms and conditions required to retain the funds have been substantially met. Revenue recognized is classified as nonoperating and the associated cash flows are included within noncapital financing activities. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the Hospital's revenues and expenses through December 31, 2021, the Hospital has recognized into revenue all distributions from the Provider Relief Fund. For the year ended December 31, 2020, the Hospital recorded revenue of \$17,875,985 related to the Provider Relief Fund and deferred \$198,095 until a future period. For the year ended December 31, 2021, the Hospital recorded Provider Relief Fund revenue of \$4,928,387, with no deferred or unrecognized amounts. This revenue is included in nonoperating COVID-19 grant revenue within the accompanying statements of revenues, expenses and changes in net position.

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The Hospital will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the Hospital's revenues and expenses. The terms and conditions governing the Provider Relief Fund are complex and subject to interpretation and change. If the Hospital is unable to attest to or comply with current or future terms and conditions, its ability to retain some or all of the distributions received may be affected. Provider Relief Fund payments are subject to government oversight, including potential audits.

Medicare Advance Payments

As part of the CARES Act legislation, the Centers for Medicare & Medicaid Services (CMS) expanded the existing Accelerated and Advance Payments Program to a broad group of Medicare Part A providers as a means to provide additional cash flow at the onset of the COVID-19 pandemic in March 2020. The Hospital met the eligibility criteria and was approved for advance payments, receiving \$37,514,603 in April 2020. Under the terms of the program, repayment of the funds began one year from the date the advance payment was issued (April 2021 for the Hospital); beginning then and continuing through February 2022, the advance payments are being recouped at a rate of 25% of any Medicare payments owed to the Hospital. Beginning with month 12 (March 2022), the recoupment rate increases to 50%, with a lump-sum due for any remaining balance at the conclusion of month 17 (August or September 2022).

Medicare advance payments are recorded within other accrued liabilities on the balance sheets. As of December 31, 2021, \$23,231,180 of the advances remaining outstanding, and the entire balance is recorded as a current liability given repayment in full is expected by August or September 2022. As of December 31, 2020, the \$37,514,603 of outstanding advance payments was recorded as a current portion (\$16,952,865) and a noncurrent portion (\$20,561,738) based on estimates driven by historical and projected future Medicare claims volumes.

Deferred Employer Payroll Taxes

As part of the CARES Act legislation, organizations are eligible to defer payment of the employer's share of Social Security payroll taxes owed on wages paid for the year ended December 31, 2020. These deferred tax payments are due in two installments: 50% due by December 31, 2021 and 50% due by December 31, 2022.

At December 31, 2021, the deferred balance is \$2,369,192 and is included within current liabilities (salaries, wages and related liabilities). At December 31, 2020, the deferred balance was \$4,738,384, with \$2,369,192 included in current liabilities (salaries, wages and related liabilities) and \$2,369,192 included in noncurrent liabilities (other accrued liabilities).

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Hospital Add-On and Sequestration Removal

As part of the CARES Act legislation, certain factors under the Medicare payment program associated with COVID-19 patients were changed, resulting in a 20 percent increase in payments for services associated with these patients. This hospital add-on led to approximately \$700,000 and \$600,000 in additional revenue for the Hospital for 2021 and 2020, respectively, and is included within net patient service revenue on the statements of revenues, expenses and changes in net position.

Also, as part of the CARES Act legislation, effective May 1, 2020 through December 31, 2021, a temporary removal of the two percent sequestration adjustment on Medicare fee-for-service claims was enacted, resulting in an increase in Medicare payments. This sequestration freeze led to approximately \$1,400,000 and \$900,000 in additional revenue for the Hospital for 2021 and 2020, respectively, which is included within net patient service revenue on the statements of revenues, expenses and changes in net position.

Other COVID-19 Funding

The Hospital received funding and/or recognized into revenue the following related to COVID-19 from other sources:

- The Hospital has recorded revenue of \$373,127 in 2021 and \$452,836 in 2020, related to non-capital specific Federal Emergency Management Agency (FEMA) grants. Through December 31, 2021, the Hospital has received \$609,176 of funding from FEMA, and the remaining outstanding balance (of \$216,787) relates to amounts that have been submitted by the Hospital and approved by FEMA.
- In November 2020, the Hospital received \$100,000 in connection with an Indiana Department of Workforce Development Next Level Jobs Grant, which is federally funded through the Coronavirus Relief Fund (CRF). The Hospital recognized the full amount as nonoperating COVID-19 grant revenue within the 2020 statement of revenues, expenses and changes in net position.

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Other COVID-19 Funding (Continued)

- The Hospital received \$381,591 in 2021 and \$186,417 in 2020, in connection with HHS funding for the COVID-19 Testing for the Uninsured program. The Hospital recognized the full amount within net patient service revenue on the statements of revenues, expenses and changes in net position, as this funding constitutes reimbursement for care or treatment provided by the Hospital.
- In 2020, the nursing home operations owned by the Hospital were subject to Medicaid rate increases instituted in response to the COVID-19 pandemic. Additionally, certain “COVID ready” facilities received additional increases in Medicaid rates and per diems during portions of 2020. The nursing home operations recognized revenue of \$1.8 million related to these rate and payment increases during the year ended December 31, 2020. Further, the federal government’s response to COVID-19 temporarily reduced the non-federal share of Medicaid supplemental payments through the UPL program received by the Hospital associated with its nursing home operations, which increased supplemental payment revenue by \$1.9 million in 2021 and \$1.7 million in 2020. All of this revenue is included within net patient service revenue on the statements of revenues, expenses and changes in net position, as this funding also constitutes reimbursement for care or treatment provided.
- The Hospital contracted with the Indiana State Department of Health to administer vaccines. In exchange for establishing vaccine sites and administering the vaccine to eligible recipients, at no cost to the recipients, the contract allows for the Hospital to be reimbursed at an established rate per vaccine. This contract substantially became effective for 2021, and the Hospital generated revenue of approximately \$1,250,000, which is included within other operating revenues on the statements of revenues, expenses and changes in net position.

Note 7: Deposits, Investments and Investment Return

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government’s deposits may not be returned to it. The Hospital’s deposit policy for custodial credit risk requires compliance with the provisions of state law, in accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, paragraph 6.

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

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Investments

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

At December 31, 2021 and 2020, the Hospital had the following investments, all of which mature within one year:

	2021	2020
Investments		
Mutual funds	\$ 203,512,436	\$ 189,911,113

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to interest rate risk, the Hospital's investment policy states an expected duration of investments between two and five years. The money market account and mutual funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

Credit Risk - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the Hospital's policy to limit its investments in money market funds with a rating of AAA or above by Standard & Poor's or Aaa or above by Moody's, with a maximum maturity of one year. At December 31, 2021 and 2020, the Hospital's investments in mutual funds were not rated by Standard & Poor's or Moody's Investors Service. No investments are to be made by the Hospital in nonmarketable securities.

Concentration of Credit Risk - The Hospital establishes ranges by investment category to limit investment concentration. At December 31, 2021 and 2020, the Hospital's investment in mutual funds consisted of:

	2021	2020
Carillon Reams Core Plus Bond Fund	20%	24%
Metropolitan West T/R Bond Fund	20%	23%
PIMCO Low Duration Institutional Bond Fund	15%	8%
Vanguard Institutional Index Fund	13%	11%
Touchstone Sands Capital	9%	11%
Other Funds	23%	23%
	100%	100%

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Summary of Carrying Values

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

	2021	2020
Carrying value		
Deposits	\$ 90,427,162	\$ 98,229,624
Investments	203,512,436	189,911,113
	\$ 293,939,598	\$ 288,140,737
Included in the following balance sheets captions		
Cash and cash equivalents	\$ 90,427,162	\$ 98,229,624
Noncurrent cash and investments	203,512,436	189,911,113
	\$ 293,939,598	\$ 288,140,737

Investment Return

Investment return for the years ended December 31, 2021 and 2020 consisted of:

	2021	2020
Interest and dividend income	\$ 2,095,267	\$ 11,692,056
Net increase in fair value of investments	11,695,192	16,129,249
	\$ 13,790,459	\$ 27,821,305

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Note 8: Patient Accounts Receivable

The Hospital grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payor agreements. The mix of accounts receivable from patients and third-party payors at December 31, 2021 and 2020 was as follows:

	2021	2020
Medicare	32%	37%
Medicaid	14%	12%
Other third-party payors	48%	42%
Individual patients	6%	9%
	100%	100%

Note 9: Deferred Compensation Plan

Prior to 2016, CRHP maintained an IRS Code Section 457(B) plan for the benefit of certain highly compensated employees. The plan allowed for employee contributions only. The plan was dissolved on January 1, 2016, but the plan assets are still held by CRHP on behalf of its employees, separate from all other assets. On the balance sheets, these deferred compensation investments are reported within noncurrent cash and investments, with a corresponding liability within noncurrent liabilities.

The activity in the investments and liability of the deferred compensation plan were as follows for the years ended December 31:

	2021	2020
Deferred compensation investments, beginning of year	\$ 4,792,304	\$ 4,771,518
Investment gains	700,466	20,786
Employee withdrawals	(882,325)	-
Deferred compensation investments, end of year	\$ 4,610,445	\$ 4,792,304

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Note 10: Joint Venture Investments

The Hospital participates as a joint owner in several companies. A listing of these joint ventures, along with ownership percentages and net investment values as of December 31 are as follows:

Joint Venture Name - Description	2021 Ownership Percentage	2021 Investment Amount	2020 Investment Amount
Brown County Medical Coop LLC - Medical Office Building	50.00%	\$ 326,971	\$ 343,785
St. Vincent Jennings Hospital, Inc. - Nonprofit Corporation	10.00%	450,000	450,000
RCG Columbus, LLC - Outpatient Renal Dialysis Services	12.25%	517,663	181,921
United Hospital Services, LLC - Laundry Services	4.15%	478,911	262,722
Southern Indiana Health Organization, Inc. - Health Insurance Provider	33.33%	3,673,331	2,332,407
Tecumseh Health Reciprocal Risk Retention Group (formerly Indiana Healthcare) - Captive Insurance for Medical Malpractice Claims	8.26%	2,744,324	335,311
Fair Oaks Community Development Corporation - Real Estate Development	25.00%	<u>1,630,393</u>	<u>1,503,822</u>
Total		<u>\$ 9,821,593</u>	<u>\$ 5,409,968</u>

On January 1, 2020, the Hospital and the other 50% shareholder of inSpire Health Partners, LLC (inSpire) assigned their interests in inSpire to Southern Indiana Health Organization, Inc. (SIHO). No consideration was paid or received associated with the assignment. Given inSpire and SIHO each had a 50% ownership interest with the same third party 50% owner, the assignment did not result in a change in control of the respective assets, and therefore, the assignment did not have a material impact on reported financial statement values.

Effective May 8, 2020, SIHO issued additional shares to an unrelated third party, thereby establishing three equal owners. Effective with this transaction, the Hospital's ownership in SIHO is 33.33%.

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Note 11: Capital Assets

Capital assets activity for the years ended December 31, 2021 and 2020 was:

	Beginning Balance	2021			Ending Balance
		Additions	Disposals	Transfers	
Land	\$ 18,681,838	\$ 215,000	\$ (130,077)	\$ 140,000	\$ 18,906,761
Land improvements	21,020,698	-	-	-	21,020,698
Buildings and leasehold improvements	239,052,189	2,839,320	(1,432,235)	1,429,052	241,888,326
Equipment	179,236,019	8,110,119	(4,390,585)	960,341	183,915,894
Construction in progress	6,368,400	6,103,857	-	(2,389,393)	10,082,864
	<u>464,359,144</u>	<u>17,268,296</u>	<u>(5,952,897)</u>	<u>140,000</u>	<u>475,814,543</u>
Less accumulated depreciation					
Land improvements	12,781,804	547,449	-	-	13,329,253
Buildings and leasehold improvements	158,013,565	9,074,540	(584,470)	-	166,503,635
Equipment	121,346,341	14,421,405	(4,214,276)	-	131,553,470
	<u>292,141,710</u>	<u>24,043,394</u>	<u>(4,798,746)</u>	<u>-</u>	<u>311,386,358</u>
	<u>\$ 172,217,434</u>	<u>\$ (6,775,098)</u>	<u>\$ (1,154,151)</u>	<u>\$ 140,000</u>	<u>\$ 164,428,185</u>
	Beginning Balance	2020			Ending Balance
		Additions	Disposals	Transfers	
Land	\$ 16,689,940	\$ -	\$ (30,802)	\$ 2,022,700	\$ 18,681,838
Land improvements	20,982,896	20,400	-	17,402	21,020,698
Buildings and leasehold improvements	227,004,524	1,116,688	(374,833)	11,305,810	239,052,189
Equipment	179,034,707	4,376,318	(5,659,333)	1,484,327	179,236,019
Construction in progress	4,599,939	4,349,000	-	(2,580,539)	6,368,400
	<u>448,312,006</u>	<u>9,862,406</u>	<u>(6,064,968)</u>	<u>12,249,700</u>	<u>464,359,144</u>
Less accumulated depreciation					
Land improvements	12,222,350	559,454	-	-	12,781,804
Buildings and leasehold improvements	149,311,414	8,844,695	(142,544)	-	158,013,565
Equipment	111,569,570	15,249,575	(5,472,804)	-	121,346,341
	<u>273,103,334</u>	<u>24,653,724</u>	<u>(5,615,348)</u>	<u>-</u>	<u>292,141,710</u>
	<u>\$ 175,208,672</u>	<u>\$ (14,791,318)</u>	<u>\$ (449,620)</u>	<u>\$ 12,249,700</u>	<u>\$ 172,217,434</u>

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Note 12: Medical Malpractice Claims

Malpractice insurance coverage is provided on a claims-made basis. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term but reported subsequently would be uninsured. However, the Indiana Malpractice Act (the Act) limits professional liability for claims prior to July 1, 2017 to a maximum recovery of \$1,250,000 per occurrence, \$250,000 of which would be paid through medical insurance coverage, while the remaining balance would be paid by the State of Indiana Patient Compensation Fund (the Fund). For claims incurred between July 1, 2017 and June 30, 2019, the maximum recovery is \$1,650,000 per occurrence, \$400,000 of which would be paid through insurance coverage, with the remainder due from the Fund. For claims incurred subsequent to June 30, 2019, the maximum recovery is \$1,800,000 per occurrence, \$500,000 of which would be paid through insurance coverage, with the remainder due from the Fund.

On January 1, 2017, Indiana Healthcare, a reciprocal risk retention group based out of Vermont providing captive insurance coverage, merged with Heartland Reciprocal Risk Retention Group, both being reciprocal interinsurance exchanges organized and licensed pursuant to Chapters 132 and 141 of Title 8 of the Vermont Statutes Annotated. Indiana Healthcare being the surviving insurer was renamed Tecumseh Reciprocal Risk Retention Group (Tecumseh). Columbus Regional Hospital's ownership share in Tecumseh is one-fourteenth, or approximately 8% (see Note 10).

Note 13: Self-Insured Claims

Substantially all of the Hospital's employees and their dependents are eligible to participate in the Hospital's employee health insurance plan. The Hospital is self-insured for health claims of participating employees and dependents up to an annual aggregate amount \$250,000 in 2021 and 2020. The Hospital is also self-insured for worker's compensation claims. Commercial stop-loss insurance coverage is purchased for health claims in excess of the aggregate annual amount. A provision is accrued for self-insured employee health and worker's compensation claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the Hospital's estimate will change by a material amount in the near term. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years.

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Activity in the Hospital's accrued employee health and worker's compensation claims liability, which is included in other accrued liabilities in the balance sheets, during 2021 and 2020 is summarized as follows:

	2021	2020
Balance, beginning of year	\$ 3,000,811	\$ 3,091,526
Current year claims incurred and changes in estimates for claims incurred in prior years	21,645,856	17,135,374
Claims and expenses paid	(21,550,661)	(17,226,089)
Balance, end of year	\$ 3,096,006	\$ 3,000,811

Note 14: Long-Term Obligations

The following is a summary of long-term obligation transactions for the Hospital for the years ended December 31, 2021 and 2020:

	2021				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Indiana Health Facility Financing Authority Bonds Series 2014	\$ 42,670,000	\$ -	\$ (7,185,000)	\$ 35,485,000	\$ 1,220,000

	2020				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Indiana Health Facility Financing Authority Bonds Series 2014	\$ 49,450,000	\$ -	\$ (6,780,000)	\$ 42,670,000	\$ 7,185,000

Revenue Bonds Payable

In December 2014, the Hospital issued its note to the Indiana Finance Authority securing the Indiana Finance Authority Hospital Revenue Bonds, Series 2014A and Series 2014B in the combined amount of \$74,205,000. The Series 2014A bonds totaled \$35,485,000, maturing in August 2044. The Series 2014B bonds totaled \$38,720,000, maturing in August 2021. These bonds were issued to refund the Indiana Finance Authority Variable Rate Demand Revenue Bonds, Series 2009A and Series 2009B, and to provide additional funding for a new capital project. Annual principal payments are due serially through the aforementioned maturity dates. Interest rates vary with the London Interbank Offered Rate (LIBOR). At December 31, 2021, the rate was 1.07% for the Series 2014A. At December 31, 2020, the rate was 1.12% for the Series 2014A and 0.96% for the Series 2014B.

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The Series 2014 Bond issue requires the Hospital to maintain certain financial covenants. In connection with refunding of the Series 2009 Bonds, the related loss on bond defeasance was deferred and amortized over the life of the Series 2014B bond issue, which matured in 2021.

The debt service requirements as of December 31, 2021, are as follows:

Years Ending December 31	Total to be Paid	Principal	Interest
2022	\$ 1,948,359	\$ 1,220,000	\$ 728,359
2023	1,947,853	1,245,000	702,853
2024	1,943,741	1,265,000	678,741
2025	1,945,387	1,295,000	650,387
2026	1,948,289	1,325,000	623,289
2027 - 2031	9,726,481	7,035,000	2,691,481
2032 - 2036	9,730,079	7,805,000	1,925,079
2037 - 2041	9,727,636	8,655,000	1,072,636
2042 - 2044	5,836,848	5,640,000	196,848
	<u>\$ 44,754,673</u>	<u>\$ 35,485,000</u>	<u>\$ 9,269,673</u>

Note 15: Line of Credit Agreement

The Hospital has an unsecured taxable line of credit providing up to \$10,000,000 of nonrevolving credit. This matured in January 2022 and was subsequently renewed for another year. As of and during the years ended December 31, 2021 and 2020, there were no borrowings against this line of credit.

Note 16: Interest Rate Swap Agreements

Objective of the Interest Rate Swap Agreements

The Hospital's asset/liability strategy is to have a mixture of fixed-rate and variable-rate debt to take advantage of market fluctuations. As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations and to lower its borrowing costs when compared against fixed-rate debt at the time of issuance, the Hospital entered into interest rate swap agreements for its bonds. The intention of the swaps is to effectively change the Hospital's variable interest rate on this note to a synthetic fixed rate.

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Terms

The agreements required no initial net cash receipt or payment by the Hospital. The agreements provide for the Hospital to receive interest from the counterparty at a variable rate based on the London Interbank Offering Rate (LIBOR) and to pay interest to the counterparty at a fixed rate on notional amounts as set forth in the tables below:

Notional Amount	Trade Date	Effective Date	Termination Date	Fixed Rate Hospital Pays	Variable Rate Hospital Receives	Fair Value at December 31, 2021
\$ 1,960,000	7/22/2003	8/13/2003	8/1/2022	3.335%	67% of LIBOR	\$ (36,008)
<u>2,195,000</u>	6/8/2005	6/22/2005	8/1/2022	3.313%	65.2% of LIBOR + .33%	<u>(35,824)</u>
<u>\$ 4,155,000</u>						<u>\$ (71,832)</u>

Notional Amount	Trade Date	Effective Date	Termination Date	Fixed Rate Hospital Pays	Variable Rate Hospital Receives	Fair Value at December 31, 2020
\$ 3,855,000	7/22/2003	8/13/2003	8/1/2022	3.335%	67% of LIBOR	\$ (139,141)
<u>4,325,000</u>	6/8/2005	6/22/2005	8/1/2022	3.313%	65.2% of LIBOR + .33%	<u>(133,814)</u>
<u>\$ 8,180,000</u>						<u>\$ (272,955)</u>

Under the agreements, the Hospital pays or receives the net interest amount every 35 days, with the monthly settlements included in interest expense.

Fair Value

The fair values of the agreements are based on estimated discounted future cash flows determined using the counterparty's proprietary models based upon financial principles and estimated relevant future market conditions. The fair values of the agreements are recognized in other liabilities in the Hospital's balance sheets. As the swaps are effective hedging instruments, the offsetting balance is reflected as deferred outflows of resources on the Hospital's balance sheets. The changes in fair value of the swap agreements of \$201,123 and \$100,987 for the years ended December 31, 2021 and 2020, respectively, are shown as an adjustment to the carrying amount of the related deferred outflows of resources on the balance sheets.

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Interest Rate Risk

The Hospital entered into the interest rate swap agreements as a means of limiting its exposure to fair value losses occurring from rising variable interest rates associated with various bonds. Beginning in 2004, the notional amount of the swap agreements declines by a corresponding amount each time a principal payment becomes due on the associated debt until the notional amounts for each agreement reach \$0 at the termination of the swap agreements. At December 31, 2021, the notional amount of the interest rate swap agreements will decline as follows:

Maturities in Years			
Less Than 1	1-5	6-10	More Than 10
\$ 4,155,000	\$ -	\$ -	\$ -

Credit Risk

The fair value of each swap represents the Hospital’s credit exposure to the counterparty as of December 31. Should the counterparties to these transactions fail to perform according to the terms of the swap agreements, the Hospital has a maximum possible loss equivalent to the fair value at that date. To mitigate the potential for credit risk, the swaps are insured by Assured Guaranty Corporation, which was rated A3 by Moody’s Investors Service as of December 31, 2021 and 2020. The Hospital does not currently have a policy of requiring the counterparty to post collateral in the event the Hospital becomes exposed to credit risk. The Hospital does not currently have a policy requiring a master netting agreement with the counterparty and does not currently have such an agreement in place.

Basis Risk

The swaps expose the Hospital to basis risk should the relationship between LIBOR and the prime rate set by the Hospital’s lender change in a manner adverse to the Hospital. If an adverse change occurs in the relationship between these rates, the expected cost savings may not be realized.

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Termination Risk

The Hospital or counterparty may terminate the swaps if the other party fails to perform under the terms of the contract. If the swaps were terminated, the variable-rate bonds would no longer have a synthetic fixed rate of interest. Also, if the swaps have a negative fair value at the time of termination, the Hospital would be liable to the counterparty for a payment equal to the fair value of the respective swap.

The change in the Hospital's fair value of interest rate swap agreements during 2021 and 2020 is summarized as follows:

	2021	2020
Balance, beginning of year	\$ (272,955)	\$ (373,942)
Change in market value	201,123	100,987
Balance, end of year	\$ (71,832)	\$ (272,955)

Swap Payments and Associated Debt

Using rates as of December 31, 2021, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term are set forth in the table below. As rates vary, variable-rate interest payments and net swap payments will vary.

Years Ending December 31	2014 Bonds		Interest Rate Swap, Net	Total to be Paid
	Principal	Interest		
2022	\$ 1,220,000	\$ 728,359	\$ 71,832	\$ 2,020,191
2023	1,245,000	702,853	-	1,947,853
2024	1,265,000	678,741	-	1,943,741
2025	1,295,000	650,387	-	1,945,387
2026	1,325,000	623,289	-	1,948,289
2027 - 2031	7,035,000	2,691,481	-	9,726,481
2032 - 2036	7,805,000	1,925,079	-	9,730,079
2037 - 2041	8,655,000	1,072,636	-	9,727,636
2042 - 2044	5,640,000	196,848	-	5,836,848
	\$ 35,485,000	\$ 9,269,673	\$ 71,832	\$ 44,826,505

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Note 17: Restricted and Designated Net Position

At December 31, 2021 and 2020, the Hospital has no restricted net position. At December 31, 2021 and 2020, approximately \$199 million and \$185 million, respectively, of the Hospital's unrestricted net position has been designated by the Hospital's Board of Trustees for capital acquisitions. Designated portions of net position remain under the control of the Board of Trustees, which may, at its discretion, later use this net position for other purposes.

Note 18: Operating Leases

The Hospital leases various facilities under operating leases expiring at various dates through 2028. Total rental expense in 2021 and 2020 for all operating leases was approximately \$15.0 million and \$14.4 million, respectively.

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

2022	\$ 13,341,036
2023	6,325,673
2024	3,350,236
2025	3,236,433
2026	2,731,659
Thereafter	<u>2,909,895</u>
Future minimum lease payments	<u><u>\$ 31,894,932</u></u>

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Note 19: Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2021 and 2020:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2021				
Investments by fair value level				
Mutual funds - equity	\$ 95,616,531	\$ 95,616,531	\$ -	\$ -
Mutual funds - fixed income	107,895,905	107,895,905	-	-
Total investments by fair value level	<u>\$ 203,512,436</u>	<u>\$ 203,512,436</u>	<u>\$ -</u>	<u>\$ -</u>
Investment derivative instruments				
Interest rate swap agreements	\$ 71,832	\$ -	\$ 71,832	\$ -

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	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2020				
Investments by fair value level				
Mutual funds - equity	\$ 86,968,255	\$ 86,968,255	\$ -	\$ -
Mutual funds - fixed income	102,942,858	102,942,858	-	-
	<u>\$ 189,911,113</u>	<u>\$ 189,911,113</u>	<u>\$ -</u>	<u>\$ -</u>
Total investments by fair value level				
Investment derivative instruments				
Interest rate swap agreements	\$ 272,955	\$ -	\$ 272,955	\$ -
	<u>\$ 272,955</u>	<u>\$ -</u>	<u>\$ 272,955</u>	<u>\$ -</u>

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 and Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Hospital does not have any Level 3 assets or liabilities at December 31, 2021 and 2020.

Interest Rate Swap Agreements

The fair value is estimated using forward-looking interest rate curves and discounted cash flows that are observable or can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy.

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Note 20: Retirement Plans

Defined-Contribution Retirement Plans

The Hospital maintains defined-contribution retirement plans for the benefit of substantially all of its employees. Under the plans, employee contributions are made into a 403(b) plan, while Hospital matching contributions are made into a 401(a) plan. Employee contributions are allowed up to the maximum allowable by law. The Hospital's matching of contributions ranges from a minimum of 2% to a maximum of 6%, dependent upon years of employment and level of salary deferral. For the years ended December 31, 2021 and 2020, the Hospital made \$4,998,469 and \$4,699,692 of contributions to the plans.

Note 21: Commitments and Contingencies

Commitments

As of December 31, 2021, the Hospital had material commitments for the acquisition of capital assets totaling approximately \$22.8 million. The majority of these commitments relate to building renovation and expansion projects, construction associated with an electrophysiology laboratory, and other medical equipment.

Litigation

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

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Note 22: Related Party Transactions

The Hospital enters into agreements and transacts with several entities which do not require presentation as component units within the Hospital's financial statements but are considered related parties primarily due to the existence of common directors.

Southeastern Indiana Health Management, Inc. (SIHM) is a tax-exempt not-for-profit corporation that has the authority to direct and control the operations of its subsidiary, Southeastern Indiana Medical Holdings, Inc., which is a taxable not-for-profit corporation. SIHM and the Hospital have entered into a series of agreements by which SIHM provides management services to the Hospital and also leases administrative and other employees to the Hospital. From time to time, SIHM has entered into real estate transactions involving CRHSS, a component unit of the Hospital:

- In 2020, SIHM gifted and transferred certain real estate to CRHSS through a formal conveyance and transfer of deed. The gifted real estate transferred had outstanding notes receivable with the Hospital that were simultaneously canceled with the real estate gift. The real estate transferred was recorded at lower of cost, or market, which approximated \$12,249,700. The cancelled loans by the Hospital had outstanding principal balances of \$6,599,670. The resulting \$5,650,030 gain from these transactions is reported as capital contributions from related party in the accompanying 2020 financial statements.
- In 2021, SIHM gifted and transferred certain real estate to CRHSS through a formal conveyance and transfer of deed. The real estate transferred was recorded at lower of cost, or market, which approximated \$140,000, and is reported as capital contributions from related party in the accompanying 2021 financial statements.

The Columbus Regional Health Foundation, Inc. (Foundation) is a tax-exempt not-for-profit corporation formed to benefit and provide resources to the Bartholomew County and surrounding communities. The Hospital and the Foundation periodically provide economic support to one another in the form of cash or other contributions.

Our Hospice of South Central Indiana, Inc. (Hospice) is an organization formed to provide hospice services in Southern Indiana. Hospice has entered into a variety of agreements with the Hospital, including a shared savings arrangement and a building lease. Additionally, the Hospital and Hospice periodically provide economic support to one another in the form of cash or other contributions.

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana

Notes to Financial Statements
December 31, 2021 and 2020

The following summarizes the transactions and year-end balances associated with related parties which are included in the financial statements of the Hospital:

Corporate Name/Nature of Relationship	2021	2020
Southeastern Indiana Health Management, Inc. (SIHM)		
Management services expense	\$ 5,316,828	\$ 5,935,995
Rent expense	-	140,063
Concierge expense	-	-
Investment income	-	194,830
Contribution expense	-	99,140
Contract services reimbursed	15,458,908	14,034,252
Employee benefit reimbursement received	153,220	170,598
Miscellaneous income	-	2,000
Other receivables	54,947	187,017
Accounts payable	1,870,025	1,771,148
Capital contributions	140,000	5,650,030
Columbus Regional Health Foundation, Inc.		
Contributions to the Foundation	\$ 1,172,000	\$ 452,000
Contributions received from the Foundation	482,761	584,017
Other receivables	4,980	71,271
Our Hospice of South Central Indiana, Inc.		
Operating expenses	\$ 108,831	\$ 99,094
Miscellaneous sales to Hospice	106,357	110,202
Other receivables	59,441	38,215
Rent expense paid to Hospice	127,536	127,536

Note 23: Future Change in Accounting Principle

In fiscal year 2022, the Hospital will implement GASB Statement No. 87, *Leases*. The statement provides a new framework for accounting for leases under the principle that leases are financings and lessees should recognize an intangible asset and a corresponding liability, while the lessor will recognize a lease receivable and related deferred inflow of resources. The Hospital has not determined the impact of this new standard on its financial statements; however, it could have a material future impact.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

Board of Trustees
Columbus Regional Hospital
Columbus, Indiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Columbus Regional Hospital (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 April 29, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

BKD, LLP

Indianapolis, Indiana
April 29, 2022