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May 26, 2023

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

We have reviewed the report of Riverview Hospital d/b/a Riverview Health, which was opined upon by FORVIS, LLP, Independent Public Accountants, for the period January 1, 2022 to December 31, 2022. Per the *Report of Independent Auditors*, the financial statements included in the report present fairly the financial condition of Riverview Hospital d/b/a Riverview Health as of December 31, 2022, and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the finding included in the report on page 41. Please see the Schedule of Findings and Responses for complete details related to the finding. Management's response appears at the end of the Schedule of Findings and Responses in the *Views of Responsible Officials and Planned Corrective Action* section.

In our opinion, FORVIS, LLP, prepared the audit report in accordance with the guidelines established by the State Board of Accounts.

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

Tammy R. White, CPA
Deputy State Examiner

**Riverview Hospital
A Component Unit of
Hamilton County, Indiana**

**Independent Auditor's Report
and Financial Statements**

December 31, 2022



Riverview Hospital
A Component Unit of Hamilton County, Indiana
December 31, 2022

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Independent Auditor's Report

Board of Trustees
Riverview Hospital
Noblesville, Indiana

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the discretely presented component unit of Riverview Hospital (Hospital), a component unit of Hamilton County, Indiana, as of and for the year ended December 31, 2022, 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 business-type activities and of the discretely presented component unit of the Hospital as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit 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 opinions.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2022, the Hospital adopted Governmental Accounting Standards Board Statement No. 87, *Leases*. Also, as discussed in Note 2, the Hospital's blended component unit adopted Accounting Standards Codification Topic 842, *Leases*. Our opinions are not modified with respect to these matters.

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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 24, 2023, 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 Hospital's internal control over financial reporting and compliance.

FORVIS,LLP

Indianapolis, Indiana
April 24, 2023

Riverview Hospital

A Component Unit of Hamilton County, Indiana

Management's Discussion and Analysis

December 31, 2022

Introduction

This management's discussion and analysis of the financial performance of Riverview Hospital d/b/a Riverview Health (Hospital) provides an overview of the Hospital's financial activities for the year ended December 31, 2022. It should be read in conjunction with the accompanying financial statements of the Hospital.

Financial Highlights

- Cash and investments decreased in 2022 by \$22,947,401 or 13.9%.
- The Hospital's net position decreased by \$18,073,431 or 7.4% in 2022.
- The Hospital reported an operating loss of \$11,306,637 in 2022, which was an improvement of \$11,404,590 compared to the operating loss of \$22,711,227 in 2021.
- Net nonoperating expenses for 2022 were \$6,521,137 compared to net nonoperating revenues of \$24,938,560 for 2021. This was a decrease of \$31,459,697 or 126.1%.
- As discussed in Note 2 to the financial statements, the Hospital adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases* in 2022. Prior year comparative information presented herein has not been restated for adoption of GASB 87.

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, as well as the financial statements of its discretely presented component unit, Riverview Hospital Foundation, Inc., which includes a balance sheet and a statement of revenues, expenses and changes in net position. These statements provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The Hospital is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

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

One of the most important questions asked about any hospital's finances is "Is the hospital as a whole better or worse off as a result of the year's activities?" The balance sheet and the statement of revenues, expenses and changes in net position report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets, 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, what was cash used for, and what was the change in cash and cash equivalents during the reporting period.

The Hospital’s Net Position

The Hospital’s net position is the difference between its assets, liabilities and deferred inflows and outflows of resources reported in the balance sheet. The Hospital’s net position decreased by \$18,073,431 or 7.4% in 2022 over 2021, as shown in Table 1.

Table 1: Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

	2022	2021
Assets		
Patient accounts receivable, net	\$ 63,502,646	\$ 66,435,602
Other current assets	119,205,928	121,009,304
Capital assets, net	168,280,814	173,812,747
Other noncurrent assets	111,622,347	82,104,602
Total assets	<u>462,611,735</u>	<u>443,362,255</u>
Deferred Outflows of Resources		
	<u>574,815</u>	<u>747,259</u>
Total assets and deferred outflows of resources	<u>\$ 463,186,550</u>	<u>\$ 444,109,514</u>
Liabilities		
Current liabilities excluding current maturities of long-term debt	\$ 135,220,642	\$ 142,128,044
Long-term debt	50,770,000	54,965,000
Other noncurrent liabilities	48,763,691	3,849,462
Total liabilities	<u>234,754,333</u>	<u>200,942,506</u>
Deferred Inflows of Resources		
	<u>3,338,640</u>	<u>-</u>
Net Position		
Net investment in capital assets	114,590,406	117,363,436
Restricted	2,590,203	401,386
Unrestricted	107,912,968	125,402,186
Total net position	<u>225,093,577</u>	<u>243,167,008</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 463,186,550</u>	<u>\$ 444,109,514</u>

A significant change in the Hospital's assets in 2022 is the decrease in noncurrent cash and investments. The decrease results primarily market activity during the calendar year and equated to a 25.0% decrease compared to 2021.

A significant change in the Hospital's liabilities in 2022 was an increase in lease liabilities as a result of the adoption of GASB Statement No. 87 and Intuitive's (a blended component unit) adoption of Accounting Standards Codification (ASC) Topic 842, *Leases*. Lease liabilities at December 31, 2022 totaled \$49,969,472.

Operating Results and Changes in the Hospital's Net Position

In 2022, the Hospital's net position decreased by \$18,073,431 or 7.4% as shown in Table 2. This decrease is made up of several different components and represents a decrease of 888.0% compared with the increase in net position for 2021 of \$2,227,333.

Table 2: Operating Results and Changes in Net Position

	<u>2022</u>	<u>2021</u>
Operating Revenues		
Net patient service revenue	\$ 598,011,945	\$ 537,779,647
Other	73,691,374	80,273,513
Internal activity - management services	7,818,291	-
Total operating revenues	<u>679,521,610</u>	<u>618,053,160</u>
Operating Expenses		
Salaries, wages, and employee benefits	112,612,335	109,272,833
Purchased services and professional fees	354,666,908	338,576,582
Internal activity - management services	7,818,291	
Depreciation and amortization	25,173,777	21,290,679
Other operating expenses	190,556,936	171,624,293
Total operating expenses	<u>690,828,247</u>	<u>640,764,387</u>
Operating Loss	<u>(11,306,637)</u>	<u>(22,711,227)</u>
Nonoperating Revenues (Expenses)		
Investment return	(8,410,269)	10,310,875
Interest expense	(4,196,652)	(2,394,102)
Gain on investment in equity investee	1,200,000	1,729,406
Noncapital grants and contributions	86,665	15,292,381
Other	4,799,119	-
Total nonoperating revenues (expenses)	<u>(6,521,137)</u>	<u>24,938,560</u>
Income (Loss) Before Distributions	(17,827,774)	2,227,333
Distributions	<u>(245,657)</u>	<u>-</u>
Increase (Decrease) in Net Position	<u>\$ (18,073,431)</u>	<u>\$ 2,227,333</u>

Operating Loss

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.

Operating loss was \$11,306,637 for 2022 compared to an operating loss of \$22,711,227 for 2021. This equates to an improvement of \$11,404,590. The primary components of the change in operating income in 2022 are:

- Net patient service revenue was \$598,011,945 for 2022 compared to \$537,779,647 in 2021, which is an improvement of \$60,232,298 or 11.8%.
- Salaries, wages, and employee benefits for the Hospital were \$112,612,335 for 2022 compared to \$109,272,833 for 2021, which represents an increase of \$339,502 or 3.1%.
- Purchased services and professional fees for 2022 were \$354,666,908 compared to \$338,576,582 in 2021, which represents an increase of \$16,090,326 or 4.8%.

The increase in net patient service revenue in 2022 is a result of various factors, most notably of which is increased volumes, particularly those associated with outpatient services. The COVID-19 pandemic and other macro market factors continue to increase operating costs for the Hospital in terms of salaries, benefits, contract labor and other contractual arrangements, supplies, and medical equipment.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of investment income, interest expense, gains on investments in equity investees and noncapital grants and contributions. The Hospital recognized a decline in its investment return in 2022 of \$18,721,144 or 181.6% compared to 2021, resulting primarily from market changes, including increased interest rates at the federal level.

Other changes in nonoperating revenues include a decline in noncapital grants and contributions of \$15,205,716, which are attributable to changes in Provider Relief Funding. 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 or lost revenue attributable to COVID-19, as defined by the U.S. Department of Health and Human Services.

The Hospital's Cash Flows

The Hospital's cash flows fluctuated from the previous year with an improvement in the net cash flow from operating activities of \$19,281,584. Net cash flow from noncapital financing activities declined by \$18,451,373 due to declines in Provider Relief Fund distributions. The Hospital saw the net cash flow from capital and related financing activities decline by \$11,986,219 from 2021 to 2022, and also saw the net cash flow from investing activities improving by \$10,361,662.

Capital and Lease Assets and Debt Administration

Capital and Lease Assets

At the end of 2022, the Hospital had \$168,280,814 invested in capital assets, net of accumulated depreciation, compared to \$171,731,713 at the end of 2021, as detailed in Note 7 to the financial statements. Capital asset additions approximated \$18,048,000 during the fiscal year including amounts acquired through blending of a component unit.

At the end of 2022, the Hospital had \$47,807,222 reported as lease assets, net of accumulated amortization of \$3,674,853.

Debt

At December 31, 2022, the Hospital has \$50,770,000 in revenue bonds outstanding compared to \$54,695,000 at December 31, 2021.

Other Economic Factors

Management believes the health care industry's and the Hospital's operating margins will continue to be under pressure due to changes in payor mix and growth in operating expenses that are in excess of the increases in contractually arranged and legally established payment received for services rendered. The ongoing challenge facing the Hospital is to continue to provide quality patient care in a competitive environment, and to attain reasonable rates for services provided while managing costs.

Additionally, uncertainty and business disruption surrounding the COVID-19 pandemic have and could continue to impact the operations of the Hospital. The economic impact, contingent on the current and future ramifications of COVID-19, as well as other factors, may negatively impact the Hospital's payor and service mix and overall operating expenses.

Contacting the Hospital's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Hospital's Fiscal Services Department.

Riverview Hospital
A Component Unit of Hamilton County, Indiana
Balance Sheet
December 31, 2022

Assets

	2022
Current Assets	
Cash and cash equivalents	\$ 86,983,328
Patient accounts receivable, net of allowance of \$14,067,000	63,502,646
Supplies	7,485,090
Prepaid expenses and other assets	24,268,050
Lease receivable	469,460
Total current assets	182,708,574
Noncurrent Cash and Investments	
Internally designated for capital improvements	54,696,230
Held by trustee	558,026
Total noncurrent cash and investments	55,254,256
Capital Assets, net	168,280,814
Lease Assets, Net	47,807,222
Other Assets	
Lease receivable, net of allowance	984,159
Interest rate swap	1,913,171
Joint venture investments and other assets	5,663,539
	8,560,869
Total assets	462,611,735
Deferred Outflows of Resources - Debt Refunding	574,815
Total assets and deferred outflows of resources	\$ 463,186,550

Riverview Hospital
A Component Unit of Hamilton County, Indiana
Balance Sheet (Continued)
December 31, 2022

Liabilities and Net Position

	2022
Current Liabilities	
Current maturities of long-term debt	\$ 4,255,000
Current portion of lease liabilities	2,520,781
Line of credit	8,000,000
Accounts payable	20,247,526
Salaries, wages and related payables	9,932,404
Estimated third-party settlements	1,284,589
Other current liabilities	93,235,342
Total current liabilities	139,475,642
Noncurrent Liabilities	
Long-term debt	46,515,000
Lease liabilities	47,448,691
Other	1,315,000
Total noncurrent liabilities	95,278,691
Total liabilities	234,754,333
Deferred Inflows of Resources	
Lease receivable	
Interest rate swap	1,425,469
Total deferred inflows of resources	1,913,171
Net Position	
Net investment in capital assets	114,590,406
Restricted - expendable for debt service and professional liability insurance	558,026
Restricted - nonexpendable	2,032,177
Unrestricted	107,912,968
Total net position	225,093,577
Total liabilities, deferred inflows of resources and net position	\$ 463,186,550

Riverview Hospital
A Component Unit of Hamilton County, Indiana
Riverview Hospital Foundation, Inc.
Balance Sheet
December 31, 2022

Assets

	2022
Current Assets	
Cash and cash equivalents	\$ 245,612
Contributions receivable - current	5,658
Prepaid expenses and other	11,537
Total current assets	262,807
Asset Limited As To Use	
Internally board designated	1,835,956
Externally restricted by donors	425,345
Nonexpendable permanent endowments	2,979,123
Total assets limited as to use	5,240,424
Other Assets - contributions receivable, net	156,739
Total assets	\$ 5,659,970

Liabilities and Net Position

Current Liabilities	
Accounts payable	\$ 16,432
Other Liabilities - annuities payable	
Total liabilities	19,674
	36,106
Net Position	
Restricted	
Expendable for donor-restricted purposes	425,345
Nonexpendable	2,979,123
Unrestricted	2,219,396
Total net position	5,623,864
Total liabilities and net position	\$ 5,659,970

Riverview Hospital
A Component Unit of Hamilton County, Indiana
Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2022

	2022
Operating Revenues	
Net patient service revenue, net of provision for uncollectible accounts; 2022 - \$20,638,950	\$ 598,011,945
Other	73,691,374
Internal activity - management services	7,818,291
Total operating revenues	679,521,610
Operating Expenses	
Salaries and wages	94,430,581
Employee benefits	18,181,754
Purchased services and professional fees	354,666,908
Internal activity - management services	7,818,291
Medical supplies, drugs and other supplies	88,979,121
Utilities	12,762,413
Lease and rentals	39,884,349
Repairs and maintenance	9,700,759
Insurance	4,766,091
Other	19,892,901
Provider hospital assessment fee	14,571,302
Depreciation and amortization	25,173,777
Total operating expenses	690,828,247
Operating Loss	(11,306,637)
Nonoperating Revenues (Expenses)	
Investment return	(8,410,269)
Interest expense	(4,196,652)
Gain on investment in equity investee	1,200,000
Noncapital grants and contributions	86,665
Other	4,799,119
Total nonoperating expenses	(6,521,137)
Loss Before Distributions	(17,827,774)
Distributions	(245,657)
Decrease in Net Position	(18,073,431)
Net Position, Beginning of Year	243,167,008
Net Position, End of Year	\$ 225,093,577

Riverview Hospital
A Component Unit of Hamilton County, Indiana
Riverview Hospital Foundation, Inc.
Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2022

	2022
Revenues, Gains and Other Support	
Contributions and pledges	\$ 893,966
Interest and dividend income	117,994
Investment return, net	(1,090,779)
Total operating revenue and support	(78,819)
 Expenses and Losses	
Professional fees and services	18,774
Printing and supplies	24,305
Events	120,966
Grants to Riverview Health	694,195
Grants and gifts to others	88,096
Other operating expenses	18,638
Total expenses and losses	964,974
 Operating Loss and Decrease in Net Position	(1,043,793)
 Net Position, Beginning of Year	6,667,657
 Net Position, End of Year	\$ 5,623,864

Riverview Hospital
A Component Unit of Hamilton County, Indiana
Statement of Cash Flows
Year Ended December 31, 2022

	2022
Cash Flows from Operating Activities	
Receipts from and on behalf of patients	\$ 646,991,823
Payments to suppliers and contractors	(478,696,055)
Payments to employees	(114,227,808)
Payments on short-term leases	(39,884,349)
Other receipts, net	(5,197,155)
Net cash provided by operating activities	8,986,456
Cash Flows from Noncapital Financing Activities	
Noncapital grants and contributions	86,665
Net repayments on line of credit	(3,000,000)
Joint venture distributions	(245,657)
Net cash used in noncapital financing activities	(3,158,992)
Cash Flows from Capital and Related Financing Activities	
Acquisition and construction of capital assets	(13,979,442)
Principal paid on long-term debt	(4,195,000)
Payments received on leases receivable	485,064
Payments paid on leases payable	(2,243,914)
Interest paid on long-term debt and leases payable	(4,024,208)
Net cash used in capital and related financing activities	(23,957,500)
Cash Flows from Investing Activities	
Interest and dividends on investments	1,613,583
Purchase of investments	(27,797,103)
Proceeds from disposition of investments	33,900,313
Distributions received from equity investee	1,061,330
Other investing activities	2,531,574
Net cash provided by investing activities	11,309,697
Decrease in Cash and Cash Equivalents	(6,820,339)
Cash and Cash Equivalents, Beginning of Year	93,803,667
Cash and Cash Equivalents, End of Year	\$ 86,983,328
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating loss	\$ (11,306,637)
Depreciation and amortization	25,173,777
Provision for uncollectible accounts	20,638,950
Changes in operating assets and liabilities:	
Patient accounts receivable	(17,215,563)
Supplies and other current assets	(1,245,323)
Accounts payable and accrued expenses	(6,545,534)
Deferred inflows of resources - leases receivable	(513,214)
Net cash provided by operating activities	\$ 8,986,456
Supplemental Cash Flows Information	
Capital asset additions from blending of component unit	\$ 4,068,583

Riverview Hospital
A Component Unit of Hamilton County, Indiana
Notes to Financial Statements
December 31, 2022

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

Nature of Operations and Reporting Entity

Riverview Hospital d/b/a Riverview Health (Hospital) is an acute care hospital located in Noblesville, Indiana. The Hospital is a component unit of Hamilton 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 the Hamilton County area.

The Hospital operates long-term care facilities (LTC) through various lease arrangements with third parties. These facilities provide inpatient and therapy services in their geographic area and support the Hospital's mission to provide quality care and services to the facilities' residents. The facilities are managed by third parties under separate management agreements. The revenues from operations are the property of the Hospital and the Hospital is responsible for the associated operating expenses and working capital requirements.

The Hospital holds a 51% ownership interests in Intuitive Health of Hamilton County, LLC (Intuitive) and Riverview Surgical Management Associates, LLC (RSMA), which are organized to provide management services for the operations of free standing emergency department and urgent care facilities (Intuitive) and surgery centers (RSMA) located in the Hospital's primary service area. The Hospital accounts for these entities under Governmental Accounting Standards Board (GASB) Statement No. 90, *Majority Equity Interests*, an amendment of GASB Statements No. 14 and No. 61, with the operations of Intuitive and RSMA reported as blended component units, as the Hospital holds a majority equity interest. Although legally separate from the Hospital, Intuitive and RSMA are reported as if they were a part of the Hospital. In the prior year, these entities were not reported as blended component units but were reported under the equity method. The effect of the correction of the prior year reporting entity was insignificant to beginning net position as of January 1, 2022. All required significant intercompany transactions have been eliminated for financial reporting purposes. Separate audited financial statements are not issued for Intuitive and RSMA.

Foundation

Riverview Hospital Foundation, Inc. (Foundation) is a legally separate, tax-exempt component unit of the Hospital. The Foundation's primary function is to raise and hold funds to support the Hospital and its programs. The board of the Foundation is self-perpetuating.

Riverview Hospital
A Component Unit of Hamilton County, Indiana
Notes to Financial Statements
December 31, 2022

Although the Hospital does not control the timing or amount of receipts from the Foundation, the majority of the Foundation's resources and related income are restricted by donors for the benefit of the Hospital. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the Hospital, the Foundation is considered a component unit of the Hospital and is discretely presented in the Hospital's financial statements.

Complete financial statements of the Foundation may be obtained from its Administrative Office at the following address: 395 Westfield Road, Noblesville, IN 46060.

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, liabilities and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary nonexchange transactions (principally federal and state grants) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated or voluntary nonexchange transactions. Government-mandated or voluntary nonexchange transactions that are not program specific, investment income and interest on capital asset-related debt are included in nonoperating revenues and expenses. The Hospital first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

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, liabilities and deferred inflows and outflows of resources 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, 2022, cash equivalents consisted primarily of money market accounts with brokers.

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.

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Supplies

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

Investments and Investment Income

Investments in U.S. agency obligations with a remaining maturity of one year or less at time of acquisition are carried at amortized cost. Investments in money market mutual funds are carried at their net asset value (NAV).

For joint venture participation, if the Hospital is deemed to have an ongoing financial interest or an ongoing financial responsibility in the joint venture, or if the Hospital's investment gives the Hospital the ability to exercise significant influence over the joint venture, the Hospital accounts for its investment in accordance with the equity method of accounting. Other participation or investments as joint owners or unrelated companies are accounted for at cost.

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

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

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	5 - 20 years
Buildings and leasehold improvements	5 - 40 years
Equipment	3 - 20 years

Lease Assets

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

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Capital and Lease Asset Impairment

The Hospital evaluates capital and lease assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital or lease asset has occurred. If a capital or lease 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 year ended December 31, 2022.

Deferred Outflows of Resources

The Hospital reports the consumption of net assets that is applicable to a future reporting period as deferred outflows of resources in a separate section of its balance sheet.

Compensated Absences

Hospital policies permit most employees to accumulate vacation benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. 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 and termination 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.

Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than medical malpractice and employee health claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

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

Deferred Inflows of Resources

The Hospital reports an acquisition of net assets that is applicable to a future reporting period as deferred inflows of resources in a separate section of its balance sheet.

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Net Position

Net position of the Hospital is classified in three components. Net investment in capital assets consists of capital and lease assets, net of accumulated depreciation and amortization and reduced by the outstanding lease liabilities and balances of borrowings and related accounts payable used to finance the purchase or construction of those assets. Restricted expendable net position consists of the noncapital minority equity ownership of Intuitive and RSMA as well as noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the Hospital, including amounts deposited with trustees as required by bond indentures. Unrestricted net position is the remaining assets, less remaining liabilities, that do not meet the definition of net investment in capital assets or restricted net position.

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.

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

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

Intuitive and RSMA are not directly subject to income taxes under the provision of the Internal Revenue Code and applicable state laws. Taxable income or loss is allocated to its members in accordance with their respective percentage ownership for inclusion in their respective tax returns.

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Long-Term Care Operations

The Hospital has entered into various agreements to lease the facilities and equipment for the operation of 31 long-term care facilities. Along with the lease agreements, the Hospital has also entered into management agreements with the facilities' previous managers (Managers) to continue to operate the facilities. These agreements expire at various dates through 2026 with optional two-year extension periods and include termination language where either party can terminate without cause with 90 days written notice.

The management agreements include management fees consisting of base management fees, subordinated management fees and incentive management fees. Base and subordinate management fees are determined on percentages of net patient service revenue of the individual facilities and range from 2.00% to 5.50%. 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. Under the management agreements, the employees necessary to operate the facilities are contracted by the Hospital.

Future Adoption of Accounting Standards

In fiscal year 2023, the Hospital will implement GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The statement provides a new framework for accounting for subscription-based information technology arrangements (SBITAs) under the principle that SBITAs result in a right-to-use subscription asset (intangible asset) and a corresponding subscription liability. In fiscal year 2024, the Hospital will implement GASB Statement No. 100, *Accounting Changes and Error Corrections* – an amendment of GASB Statement No. 62, which prescribes the accounting and reporting for each type of accounting change and error corrections. In fiscal year 2024, the Hospital will implement GASB Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences. The Hospital has not determined the impact of these new standards on its financial statements; however, it could have a material future impact.

Note 2: Adoption of Lease Standards

During 2022, the Hospital implemented GASB Statement No. 87, *Leases* (GASB No. 87). This statement requires governments to recognize certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The adoption of GASB No. 87 did not result in any change to beginning net position. As of January 1, 2022, adoption of the standard resulted in the recognition of lease assets and liabilities of approximately \$17,482,000, a recognition of leases receivable and deferred inflows for leases of approximately \$1,939,000, and a decrease in property and equipment and capital lease obligations of approximately \$2,232,000. Leases have been recognized and measured using the facts and circumstances that existed at the beginning of the year. Refer to Notes 6 and 7 and all for the additional disclosures on these balances.

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Also, as of January 1, 2022, the Hospital's blended component units adopted ASC Topic 842, *Leases*. The component units recognized lease liabilities of approximately \$34,731,000 and lease assets of approximately \$34,000,000 and reduced deferred rent by approximately \$731,000. Adoption of ASC Topic 842 had no effect on beginning net position as of January 1, 2022.

Note 3: Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. These payment arrangements include:

Medicare

Certain Hospital inpatient acute care services are paid at prospectively determined rates per discharge based on clinical, diagnostic and other factors. Physician services are paid based upon established fee schedules. Outpatient services are paid using prospectively determined rates.

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

Medicaid

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

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

Other

Payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Approximately 60% of net patient service revenue are from participation in the Medicare and state-sponsored Medicaid programs for the year ended December 31, 2022. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

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The Hospital qualifies as a Medicaid Disproportionate Share Hospital (DSH) provider under Indiana law and, as such, is eligible to receive supplemental Medicaid payments. The amounts of these supplemental payments are dependent on regulatory approval by agencies of the federal and state governments and is determined by level, extent and cost of uncompensated care and various other factors. Supplemental payments have been made by the State of Indiana, and the Hospital records such amounts as revenue when it has been reasonably determined that the funds will be received. The Hospital recognized approximately \$2,984,000 within net patient service revenue related to this supplemental payment program for the year ended December 31, 2022. Amounts outstanding at December 31, 2022 approximated \$1,250,000 and are accrued as a receivable in prepaid expenses and other assets. The accrued amount represents management's best estimate of DSH funds due to the Hospital, which are typically paid in arrears.

The Hospital participates in a state-specific provider assessment program to increase Medicaid payments to hospitals. The Hospital incurred fees approximating \$14,571,000 related to this Medicaid program for 2022, which is recorded as an operating expense in the statement of revenues, expenses and changes in net position. Amounts outstanding under the assessment fee program approximated \$945,000 as of December 31, 2021 and 2020, respectively, and the liability is included in estimated third-party settlements.

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 is included in other operating revenue. The Hospital recognized approximately \$58,482,000 related to this supplemental payment program for the year ended December 31, 2022. At December 31, 2022, approximately \$13,786,000 is accrued and included in prepaid expenses and other current assets.

Note 4: 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.

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 in bank repurchase agreements. It may also invest in certain deposit accounts, mutual funds, repurchase agreements and pooled investment funds as authorized by Indiana Code 16-22-3-20.

At December 31, 2022, the Hospital had the following investments and maturities:

Type	Fair Value	2022 Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
Money market mutual funds	\$ 1,104,575	\$ 1,104,575	\$ -	\$ -	\$ -
Mutual funds					
Equities	29,503,525	29,503,525	-	-	-
Fixed income	11,413,627	11,413,627	-	-	-
Alternative investment	13,232,529	13,232,529	-	-	-
	<u>\$ 55,254,256</u>	<u>\$ 55,254,256</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Hospital's investment policy designates a liquidity portfolio in anticipation of withdrawal of funds within twelve to eighteen months and a long-term portfolio which is not expected to have meaningful withdrawal of funds activity within three to five years. The allocation between the portfolios is at the discretion of the investment committee.

Credit Risk - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Hospital does not have a formal investment policy for credit risk. At December 31, 2022, the Hospital's investments were not rated by Standard & Poor's or Moody's Investors Service.

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

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

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Summary of Carrying Values

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

	2022
Carrying value:	
Deposits	\$ 86,983,328
Investments	55,254,256
	\$ 142,237,584
 Included in the following balance sheets captions:	
Cash and cash equivalents	\$ 86,983,328
Noncurrent cash and investments	
Internally designated for capital improvements	54,696,230
Held by trustee	558,026
	\$ 142,237,584

Investment Return

Investment return for the year ended December 31 consisted of:

	2022
Interest and dividend income	\$ 1,613,583
Net decrease in fair value of investments	(10,023,852)
	\$ (8,410,269)

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Note 5: 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. Patient accounts receivable at December 31 consisted of:

	2022
Medicare	\$ 18,244,568
Medicaid	13,656,149
Other third-party payors	27,089,313
Patients	18,579,616
	77,569,646
Less allowance for uncollectible accounts	(14,067,000)
	\$ 63,502,646

Note 6: Leases Receivable

The Hospital leases a portion of its office space and other real estate to various third parties, the terms of which expire at dates through 2026. Payments are fixed or increase at amounts defined in the lease agreements. Leases include usage-based payments for common area maintenance and taxes which are not included in the measurement of leases receivable because they are not fixed in substance. Revenue recognized under lease contracts during the year ended December 31, 2022, was approximately \$579,000, which includes both lease revenue and interest. Revenue recognized for variable and short-term rental amounts not included in the measurement of leases receivable approximated \$368,000 for the year ended December 31, 2022.

Note 7: Capital and Lease Assets

Capital assets activity for the year ended December 31 was:

	2022				Ending Balance
	Beginning Balance⁽¹⁾	Additions	Disposals	Transfers	
Land	\$ 16,050,414	\$ -	\$ -	\$ -	\$ 16,050,414
Land improvements	3,231,090	100,671	-	293,864	3,625,625
Buildings and leasehold improvements	189,393,840	3,904,748	(690,248)	2,753,318	195,361,658
Equipment	191,705,185	9,312,214	-	1,555,258	202,572,657
Construction in progress	2,649,269	4,730,392	-	(3,035,031)	4,344,630
	403,029,798	18,048,025	(690,248)	1,567,409	421,954,984
Less accumulated depreciation:					
Land improvements	2,772,595	90,392	-	-	2,862,987
Buildings and leasehold improvements	90,347,535	6,911,256	(690,248)	12,151	96,580,694
Equipment	138,177,955	14,497,276	-	1,555,258	154,230,489
	231,298,085	21,498,924	(690,248)	1,567,409	253,674,170
Capital assets, net	\$ 171,731,713	\$ (3,450,899)	\$ -	\$ -	\$ 168,280,814

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Lease assets activity for the year ended December 31 was:

	2022				Ending Balance
	Beginning Balance ⁽¹⁾	Additions	Disposals	Transfers	
Buildings and leasehold improvements	\$ 47,734,369	\$ -	\$ -	\$ -	\$ 47,734,369
Equipment	3,747,706	-	-	-	3,747,706
	<u>51,482,075</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,482,075</u>
Less accumulated amortization:					
Buildings and leasehold improvements	-	2,732,274	-	-	2,732,274
Equipment	-	942,579	-	-	942,579
	<u>-</u>	<u>3,674,853</u>	<u>-</u>	<u>-</u>	<u>3,674,853</u>
Lease assets, net	<u>\$ 51,482,075</u>	<u>\$ (3,674,853)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,807,222</u>

⁽¹⁾ The balances have been restated to reflect the adoption of GASB No. 87. The January 1, 2022 balances have also been revised to correct an immaterial error in the classification of capital assets. The balances of gross buildings and leasehold improvements were increased, and equipment balances were decreased by approximately \$21,800,000. Accumulated depreciation for buildings and leasehold improvements was decreased, and accumulated depreciation for equipment balances was increased by approximately \$4,400,000. The revision had no impact on total capital assets or change in net position.

Note 8: Joint Venture Investments and Other Assets

The Hospital participates as a joint owner in two companies as follows:

Suburban Home Health, LLC: The Hospital has a 33% ownership in Suburban Home Health, LLC (SHH). The Hospital has accounted for the investment under the equity method of accounting. As of December 31, 2022, the balance was approximately \$617,000 and is included in joint venture investments and other assets on the balance sheet.

St. Vincent Heart Center of Indiana, LLC: The Hospital purchased a 2% ownership in St. Vincent Heart Center of Indiana, LLC (Heart Center) for approximately \$4,600,000. The Hospital has accounted for this investment under the cost method of accounting. The investment is included in joint venture investments and other assets on the balance sheet. The Hospital recognized dividend distributions of approximately \$1,200,000 during 2022 which are included in gain on investment in equity investee in the statement of revenue, expenses, and changes in net position.

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Note 9: Medical Malpractice Claims

The Hospital is self-insured for medical malpractice risks and covered under the Indiana Malpractice Act (the Act). The Act limits professional liability for claims on or after July 1, 2017 to a maximum recovery of \$1,650,000 per occurrence, \$400,000 of which would be paid by the Hospital, with the remainder due from the Indiana Patient Compensation Fund (Fund). For claims on or after July 1, 2019, the maximum recovery is \$1,800,000 per occurrence, \$500,000 of which would be paid by the Hospital, with the remainder due from the Fund. The Hospital purchases commercial contingent excess liability insurance coverage at limits similar to those covered in the Act to cover claims that are not eligible or should exceed coverage limits.

Losses from asserted and unasserted claims identified under the Hospital's incident reporting system are accrued based on estimates that incorporate the Hospital's past experience, as well as other considerations, including the nature of each claim or incident and relevant trend factors. It is reasonably possible that the Hospital's estimate of losses will change by a material amount in the near term. The current portion of the recognized accrual identified below is included in other current liabilities in the balance sheet at December 31, 2022.

Activity in the Hospital's accrued medical malpractice claims liability during 2022 is summarized as follows.

	2022
Balance, beginning of year	\$ 2,650,998
Current year claims incurred and changes in estimates for claims incurred in prior years	(277,291)
Claims and expenses paid	(93,707)
Balance, end of year	\$ 2,280,000
Current portion	\$ 965,000
Long-term portion	1,315,000
	\$ 2,280,000

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Note 10: Employee Health Claims

Substantially all of the Hospital's employees and their dependents are eligible to participate in the Hospital's employee health insurance plan. The Hospital is self-insured for health claims of participating employees and dependents. Commercial stop-loss insurance coverage is purchased for claims in excess of a \$250,000 specific deductible with no maximum reimbursement. A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims, and other economic and social factors. It is reasonably possible that the Hospital's estimate will change by a material amount in the near term.

Activity in the Hospital's accrued employee health claims liability, which is included in salaries, wages and related payables in the balance sheet, during 2022 is summarized as follows:

	2022
Balance, beginning of year	\$ 943,722
Current year claims incurred and changes in estimates for claims incurred in prior years	7,983,821
Claims and expenses paid	(7,799,099)
Balance, end of year	\$ 1,128,444

Note 11: Long-Term Obligations and Line of Credit

The following is a summary of long-term obligation transactions for the Hospital for the year ended December 31:

	2022				
	Beginning Balance⁽¹⁾	Additions	Deductions	Ending Balance	Current Portion
Long-term debt:					
Revenue bond payable:					
Direct Placement - Series 2012	\$ 7,550,000	\$ -	\$ (1,180,000)	\$ 6,370,000	\$ 1,215,000
Direct Placement - Series 2013	8,775,000	-	(1,175,000)	7,600,000	1,200,000
Direct Placement - Series 2016	30,240,000	-	(1,440,000)	28,800,000	1,440,000
Direct Placement - Series 2017	8,400,000	-	(400,000)	8,000,000	400,000
Total long-term debt	54,965,000	-	(4,195,000)	50,770,000	4,255,000
Other liabilities:					
Lease liability	52,213,386	-	(2,243,914)	49,969,472	2,520,781
Total long-term obligations	\$ 107,178,386	\$ -	\$ (6,438,914)	\$ 100,739,472	\$ 6,775,781

(1) The balances have been restated to reflect the adoption of GASB No. 87

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Direct Placements

In 2012, the Hospital issued bonds through the Indiana Finance Authority (the Authority), the Hospital Refunding Revenue Bonds, Series 2012 Bonds for \$16,900,000 to refinance existing Series 2004 Bonds. The Hospital, the Authority, and BMO Harris Bank N.A. (BMO) then entered into a bond purchase and loan agreement. BMO purchased from the Authority the entirety of the Series 2012 Bonds in a private placement. The Series 2012 Bonds currently bear interest at a variable rate applied at 0.82 times the one-month SOFR plus 1.52%. The bonds mature on December 1, 2027.

In 2013, the Hospital issued bonds through the Authority, the Hospital Refunding Revenue Bonds, Series 2013 Bonds for \$17,000,000 to refinance existing Series 2010 Bonds. The Hospital, the Authority, and BMO then entered into a bond purchase and loan agreement. BMO purchased from the Authority the entirety of the Series 2013 Bonds in a private placement. The Series 2013 Bonds currently bear interest at a variable rate applied at 0.90 times the one-month SOFR plus 1.28%. The bonds mature on October 1, 2028.

In 2016, the Hospital issued bonds through the Authority, the Hospital Revenue Bonds, Series 2016 Bonds for \$36,000,000 to use for Riverview Hospital Westfield Project. The Hospital, the Authority, BMO and MainSource Bank (MainSource) then entered into bond purchases and loan agreements. BMO (commitment of \$21,000,000) and MainSource (commitment of \$15,000,000) purchased from the Authority the entirety of the Series 2016 Bonds in private placements. The Series 2016 Bonds bear interest at a variable rate applied at 0.85 times the one-month SOFR plus 1.31%. The bonds mature on May 1, 2042.

In 2017, the Hospital issued bonds through the Authority, the Hospital Revenue Bonds, Series 2017 Bonds for \$10,000,000 to use for Riverview Hospital Westfield 2 Project. The Hospital, the Authority, and BMO then entered into a bond purchase and loan agreement. BMO purchased from the Authority all of the Series 2017 Bonds in a private placement. The Series 2017 Bonds bear interest at a variable rate applied at 0.85 times the one-month SOFR plus 1.31%. The bonds mature on May 1, 2042.

The bonds described above are collateralized by net revenues of the Hospital and are covered under a Mater Trust Indenture. Under the terms of the indenture, there is a limit on the incurrence of additional borrowings and the Hospital is required to satisfy certain measures of financial performances as long as the notes are outstanding. The Hospital is also required to meet certain financial covenants. The Hospital believes it is in compliance with all covenants as of December 31, 2022.

In conjunction with each issuance, the Hospital entered into various interest rate swap agreements to effectively fix the interest rate for specific durations of each issuance. The interest rate swap agreements do not affect the obligation of the Hospital under the indenture to repay principal and interest on the bonds. The Hospital will be exposed to variable rates at the expiration of the swap or if the counterparty to the swaps defaults or the swap agreements are terminated. See Note 13 for additional information.

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The debt service requirements on the bond payable based on the synthetic fixed interest rates established with the interest rate swap agreements described in Note 13, as of December 31, 2022, are as follows:

Year Ending December 31,	Total to be Paid	Principal	Interest
2023	\$ 5,954,457	\$ 4,255,000	\$ 1,699,457
2024	5,867,662	4,335,000	1,532,662
2025	5,762,673	4,400,000	1,362,673
2026	5,659,180	4,470,000	1,189,180
2027	5,547,667	4,535,000	1,012,667
2028 - 2032	13,899,900	10,375,000	3,524,900
2033 - 2037	11,293,221	9,200,000	2,093,221
2038 - 2042	9,882,061	9,200,000	682,061
	<u>\$ 63,866,821</u>	<u>\$ 50,770,000</u>	<u>\$ 13,096,821</u>

Line of Credit

The Hospital had a \$15,000,000 revolving bank line of credit that expired in May 2022. Upon expiration in May 2022, the revolving bank line of credit was renewed with a maximum amount available of \$12,000,000 that expires in May 2023. As of December 31, 2022, the outstanding balance was \$8,000,000. The line of credit is collateralized by net revenues of the Hospital. Interest rate is variable at a base rate as defined in the agreement plus 2.15%. The variable rate was 6.27% at December 31, 2022. Under the terms of the revolving bank line of credit, the Hospital is required to meet certain financial covenants. The Hospital believes it is in compliance with all covenants as of December 31, 2022.

Note 12: Lease Liabilities

The Hospital leases equipment and office space, the terms of which expire in various dates through 2040. Variable payments based upon the use of the underlying asset are not included in the lease liability because they are not fixed in substance. During the year ended December 31, 2022, the Hospital recognized approximately \$976,000 of rental expense for variable payments and short-term rentals not previously included in the measurement of the lease liability.

The facility leases related to long-term care operations include termination language where either party can terminate without cause with 90 days written notice. The Hospital recognized approximately \$38,898,000 under these agreements as short-term rentals, which are excluded from the measurement of the lease liability.

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The following is a schedule by year of payments under the leases as of December 31, 2022:

Year Ending December 31,	Total to be Paid	Principal	Interest
2023	\$ 4,378,299	\$ 2,520,781	\$ 1,857,518
2024	4,376,681	2,604,979	1,771,702
2025	4,175,567	2,491,765	1,683,802
2026	3,701,018	2,100,546	1,600,472
2027	3,479,263	1,953,861	1,525,402
2028 - 2032	18,311,601	11,963,777	6,347,824
2033 - 2037	20,046,887	16,430,991	3,615,896
2038 - 2040	10,404,052	9,902,772	501,280
	<u>\$ 68,873,368</u>	<u>\$ 49,969,472</u>	<u>\$ 18,903,896</u>

Note 13: Interest Rate Swap Agreements

Objective of the Interest Rate Swaps

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 various interest rate swap agreements for its direct placement revenue bonds payable. The intention of the swaps is to effectively change the Hospital's variable interest rate on the respective bonds to synthetic fixed rates outlined below.

Terms and Fair Values

The terms and fair values of the outstanding swaps as of December 31 are as follows:

Associated Bond Issue	Original Notional Amount	Current Notional Amount	Effective Date	Termination Date	Fixed Rate	Variable Rate	Fair Value
Series 2012	\$ 6,370,000	\$ 6,370,000	December 1, 2022	December 1, 2027	3.78%	1M SOFR x 0.90	\$ (41,028)
Series 2013	17,000,000	7,600,000	October 1, 2013	October 2, 2023	2.50%	1M SOFR x 0.90	103,979
Series 2016	34,560,000	28,800,000	May 1, 2018	October 30, 2026	1.68%	1M SOFR x 0.85	1,525,348
Series 2017	9,600,000	8,000,000	May 1, 2018	October 30, 2026	2.05%	1M SOFR x 0.85	324,872
	<u>\$ 67,530,000</u>	<u>\$ 50,770,000</u>					<u>\$ 1,913,171</u>

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Credit Risk

The swaps' fair values represented the Hospital's credit exposure to the counterparty as of December 31, 2022. Should the counterparty to these transactions fail to perform according to the terms of the swap agreements, the Hospital has a maximum possible loss equivalent to the swaps' fair value at that date. As of December 31, 2022, the Hospital was exposed to credit risk of approximately \$1,954,000. The swap counterparty was rated Baa1, A+, and AA- by Moody's Investors Service, Standard & Poor's, and Fitch Ratings, respectively, as of December 31, 2022.

The Hospital does not currently have a policy of requiring the counterparty post collateral in the event the Hospital becomes exposed to credit risk.

Basis Risk

The swaps expose the Hospital to basis risk should the relationship between SOFR and the 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.

Termination Risk

The Hospital or the counterparty may terminate the swaps if the other party fails to perform under the terms of the contract. If the swaps are terminated, the variable-rate notes 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 swaps' then fair values.

In 2022, the Hospital determined it had incorrectly deemed the swap agreements to be ineffective in its initial evaluation of the swaps and in the current year, corrected its reporting of the swaps to hedge accounting. The effect of the correction of the prior year reporting for the recognition of the swaps using hedge accounting was insignificant to beginning net position as of January 1, 2022.

Note 14: Pension Plan

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

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

The 403(b) Plan match rate on employee contributions is discretionary. During 2022, the Hospital matched 50% of employee elective deferrals into the 403(b) Plan, up to 3% of a participant's eligible compensation.

The maximum employee contributions are subject to regulatory caps for both of the plans. Employer contributions including both plans were approximately \$1,739,000 for the year ended December 31, 2022. The Hospital is not permitted to contribute to the 457(b) Plan.

Note 15: Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset 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

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Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying financial statements 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, 2022:

	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, 2022				
Investments by fair value level				
Mutual funds				
Equities	\$ 29,503,525	\$ 29,503,525	\$ -	\$ -
Fixed income	11,413,627	11,413,627	-	-
Alternative investment	13,232,529	-	-	13,232,529
Total investments measured by fair value level	54,149,681	\$ 40,917,152	\$ -	\$ 13,232,529
Investments measured at the net asset value (NAV)				
Money market mutual funds	1,104,575			
Total investments measured at fair value	\$ 55,254,256			
Derivative Instrument				
Interest rate swap agreement	\$ 1,913,171	\$ -	\$ 1,913,171	\$ -

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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 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

The alternative investment represents the Hospital's investment in a limited partnership with a fair value of \$13,232,529 at December 31, 2022. The investment has no unfunded commitments. The Hospital may make full or partial withdrawals quarterly with a redemption notice period of 60 days. See the below for inputs and valuation techniques used for Level 3 securities.

Interest Rate Swap Agreement

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

Level 3 Valuation Process

The fair value determinations for Level 3 measurements of securities are the responsibility of the Hospital in conjunction with the investment advisor and fund managers. The Hospital challenges the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value complies with accounting standards. Alternative investments utilized valuation techniques based on net asset value and unobservable inputs that include adjustments to net asset values.

Note 16: Contingencies

Self-Insured Malpractice and Employee Health Claims

Estimates related to the accrual for medical malpractice and self-insured health claims are described in Notes 1, 9 and 10.

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Litigation

The Hospital is subject to claims and lawsuits that may arise primarily in the ordinary course of its activities. Some of these allegations are in areas not covered by the Hospital's self-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. It is the opinion of management the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the balance sheets, change in net position and cash flows of the Hospital. Events could occur that would change this estimate materially in the near term.

Investments

The Hospital invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying balance sheets.

COVID-19 Pandemic

Hospital operations have been affected by COVID-19, including the impact of various policies by federal, state, and local governments in response to the pandemic. The extent of the COVID-19 pandemic's adverse effect on the Hospital's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the Hospital's control and ability to forecast. Because of these and other uncertainties, the Hospital cannot estimate the length or severity of the effect of the pandemic on the Hospital's business. Decreases in cash flows and results of operations may have an effect on debt covenant compliance and on 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.

Riverview Hospital
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Note 17: Condensed Combining Information

The following tables include condensed combining balance sheet information for the Hospital and its blended component units as of December 31, 2022:

	December 31, 2022				
	Hospital	Intuitive	RSMA	Eliminations	Total
Assets					
Current assets	\$ 179,127,967	\$ 1,549,334	\$ 2,031,273	\$ -	\$ 182,708,574
Due from related party	249,739	565,493	336,379	(1,151,611)	-
Capital assets, net	165,305,920	2,974,894	-	-	168,280,814
Other assets	81,975,765	32,185,410	-	(2,538,828)	111,622,347
Total assets	<u>426,659,391</u>	<u>37,275,131</u>	<u>2,367,652</u>	<u>(3,690,439)</u>	<u>462,611,735</u>
Deferred Outflows of Resources	<u>574,815</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>574,815</u>
Total assets and deferred outflows of resources	<u>\$ 427,234,206</u>	<u>\$ 37,275,131</u>	<u>\$ 2,367,652</u>	<u>\$ (3,690,439)</u>	<u>\$ 463,186,550</u>
Liabilities					
Current liabilities	\$ 137,454,373	\$ 1,531,171	\$ 490,098	\$ -	\$ 139,475,642
Due to related party	901,872	-	249,739	(1,151,611)	-
Noncurrent liabilities	62,477,921	32,800,770	-	-	95,278,691
Total liabilities	<u>200,834,166</u>	<u>34,331,941</u>	<u>739,837</u>	<u>(1,151,611)</u>	<u>234,754,333</u>
Deferred Inflows of Resources	<u>3,338,640</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,338,640</u>
Net Position					
Net investment in capital assets	114,590,406	-	-	-	114,590,406
Restricted	558,026	2,943,190	1,627,815	(2,538,828)	2,590,203
Unrestricted	107,912,968	-	-	-	107,912,968
Total net position	<u>223,061,400</u>	<u>2,943,190</u>	<u>1,627,815</u>	<u>(2,538,828)</u>	<u>225,093,577</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 427,234,206</u>	<u>\$ 37,275,131</u>	<u>\$ 2,367,652</u>	<u>\$ (3,690,439)</u>	<u>\$ 463,186,550</u>

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December 31, 2022

The following tables include condensed combining statements of revenues, expenses and changes in net position information for the Hospital and its blended component units for the year ended December 31, 2022:

	December 31, 2022				
	Hospital	Intuitive	RSMA	Eliminations	Total
Operating Revenues					
Net patient service revenue	\$ 598,011,945	\$ -	\$ -	\$ -	\$ 598,011,945
Other operating revenue	73,691,374	-	-	-	73,691,374
Internal activity - management services	-	6,661,919	1,156,372	-	7,818,291
Total operating revenues	<u>671,703,319</u>	<u>6,661,919</u>	<u>1,156,372</u>	<u>-</u>	<u>679,521,610</u>
Operating Expenses					
Salaries, wages, and employee benefits	111,991,341	-	620,994	-	112,612,335
Purchased services and professional fees	352,333,407	2,302,605	30,896	-	354,666,908
Internal activity - management services	7,818,291	-	-	-	7,818,291
Depreciation and amortization	22,376,907	2,796,870	-	-	25,173,777
Other operating expenses	189,099,421	1,436,303	21,212	-	190,556,936
Total operating expenses	<u>683,619,367</u>	<u>6,535,778</u>	<u>673,102</u>	<u>-</u>	<u>690,828,247</u>
Operating Income (Loss)	<u>(11,916,048)</u>	<u>126,141</u>	<u>483,270</u>	<u>-</u>	<u>(11,306,637)</u>
Nonoperating Revenues (Expenses)					
Investment return	(8,422,395)	-	12,126	-	(8,410,269)
Interest expense	(2,869,344)	(1,327,308)	-	-	(4,196,652)
Gain on investment in equity investee	1,059,121	-	-	140,879	1,200,000
Noncapital grants and contributions	86,665	-	-	-	86,665
Other	1,956,393	4,144,357	1,627,815	(2,929,446)	4,799,119
Total nonoperating revenues (expenses)	<u>(8,189,560)</u>	<u>2,817,049</u>	<u>1,639,941</u>	<u>(2,788,567)</u>	<u>(6,521,137)</u>
Income (Loss) Before Distributions	<u>(20,105,608)</u>	<u>2,943,190</u>	<u>2,123,211</u>	<u>(2,788,567)</u>	<u>(17,827,774)</u>
Distributions	<u>-</u>	<u>-</u>	<u>(495,396)</u>	<u>249,739</u>	<u>(245,657)</u>
Increase (Decrease) in Net Position	<u>(20,105,608)</u>	<u>2,943,190</u>	<u>1,627,815</u>	<u>(2,538,828)</u>	<u>(18,073,431)</u>
Net Position, Beginning of Year	<u>243,167,008</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>243,167,008</u>
Net Position, End of Year	<u>\$ 223,061,400</u>	<u>\$ 2,943,190</u>	<u>\$ 1,627,815</u>	<u>\$ (2,538,828)</u>	<u>\$ 225,093,577</u>

The following tables include condensed combining statements cash flow information for the Hospital and its blended component units for the year ended December 31, 2022:

	December 31, 2022				
	Hospital	Intuitive	RSMA	Eliminations	Total
Net cash provided by (used in)					
Operating activities	\$ 5,982,609	\$ 2,777,121	\$ 476,465	\$ (249,739)	\$ 8,986,456
Noncapital financing	(2,913,335)	-	(495,396)	249,739	(3,158,992)
Capital and related financing activities	(21,837,621)	(2,119,879)	-	-	(23,957,500)
Investing activities	8,765,998	500,260	2,043,439	-	11,309,697
Increase (Decrease) in Cash and Cash Equivalents	<u>(10,002,349)</u>	<u>1,157,502</u>	<u>2,024,508</u>	<u>-</u>	<u>(6,820,339)</u>
Cash and Cash Equivalents, Beginning of Year	<u>93,803,667</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,803,667</u>
Cash and Cash Equivalents, End of Year	<u>\$ 83,801,318</u>	<u>\$ 1,157,502</u>	<u>\$ 2,024,508</u>	<u>\$ -</u>	<u>\$ 86,983,328</u>

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
Riverview Hospital
Noblesville, 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, financial statements of the business-type activities and the discreetly presented component unit of Riverview Hospital (Hospital), and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated April 24, 2023, which contained an "Emphasis of Matter" paragraph regarding a change in accounting principles.

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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2022-001, that we consider to be a significant deficiency.

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*.

Management's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Management's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Hospital's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the response.

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.

FORVIS,LLP

Indianapolis, Indiana
April 24, 2023

Riverview Hospital
A Component Unit of Hamilton County, Indiana
Schedule of Findings and Responses
Year Ended December 31, 2022

Reference Number	Finding
2022-001	<p>Criteria: Internal Control Over Financial Reporting - Indiana Code 5-11-1-27, requires the Hospital to adopt a minimum level of internal control standards and internal control procedures as developed by the Indiana State Board of Accounts and published in the <i>Uniform Internal Control Standards for Indiana Political Subdivisions</i>. Also, <i>Government Auditing Standards</i> section 6.40 requires auditors to report on internal control over financial reporting where findings rise to the level of a significant deficiency.</p> <p>Condition: The Hospital did not historically include the operations of certain blended component units within the Hospital’s financial statements. The Hospital also did not properly account for its interest rate swap agreements.</p> <p>Cause: Financial statements were accurately prepared for the blended component units. The Hospital accounted for its majority equity interest under the equity method of accounting but did not properly include the full activities of the component units under the blending method.</p> <p>The Hospital accurately valued the interest rate swaps at fair value, but did not properly evaluate effectiveness of the swaps. Changes in fair value were improperly included as a component of investment return.</p> <p>Effect or Potential Effect: Misstatements in the financial statements occurred and were not detected and corrected in a timely manner.</p> <p>Recommendation: We recommend that the Hospital continue to incorporate the operations of its blended component units and evaluate future equity interests for proper treatment. We also recommend the Hospital continue to measure the effectiveness of the interest rate swaps using one of the permissible methods to ensure proper accounting of changes in fair value.</p> <p>Views of Responsible Officials and Planned Corrective Action: We concur. Management continues to evaluate current controls related to accounting for these transactions to ensure they are accounted for properly and in a timely manner.</p>