



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

October 16, 2023

Board of Trustees
Woodlawn Hospital
1400 E. Ninth Street
Rochester, IN 46975

We have reviewed the audit report of Woodlawn Hospital, which was opined upon by Blue & Co., LLC, 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 the Woodlawn Hospital 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.

In our opinion, Blue & Co., LLC 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



FINANCIAL STATEMENTS

AND

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2022 AND 2021

AND

SUPPLEMENTARY INFORMATION

DECEMBER 31, 2022

CPAs / ADVISORS



WOODLAWN HOSPITAL

TABLE OF CONTENTS DECEMBER 31, 2022 AND 2021

	Page
Report of Independent Auditors	1
Required Supplementary Information	
Management’s Discussion and Analysis (Unaudited).....	MDA - i
Financial Statements	
Statements of Net Position	4
Statements of Revenues, Expenses, and Changes in Net Position	6
Statements of Cash Flows	7
Notes to Financial Statements	9
Supplementary Information - Reporting Under <i>Government Auditing Standards</i> and the Uniform Guidance	
Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	27
Report of Independent Auditors on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	29
Schedule of Expenditures of Federal Awards – Year Ended December 31, 2022	32
Notes to Schedule of Expenditures of Federal Awards – Year Ended December 31, 2022.....	33
Schedule of Findings and Questioned Costs – Year Ended December 31, 2022	34



Blue & Co., LLC / 500 N. Meridian Street, Suite 200 / Indianapolis, IN 46204
main 317.633.4705 fax 317.633.4889 email blue@blueandco.com

REPORT OF INDEPENDENT AUDITORS

Board of Trustees
Woodlawn Hospital
Rochester, Indiana

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of Woodlawn Hospital (the Hospital), a component unit of Fulton County, which comprise the statements of net position as of December 31, 2022 and 2021, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Hospital, as of December 31, 2022 and 2021, and the respective changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the *Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources*, issued by the Indiana State Board of Accounts; and the *Uniform Compliance Guidelines for Audits of Hospitals and State and Local Governments by Authorized Independent Public Accountants*, issued by the Indiana State Board of Accounts. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hospital and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principles

As described in Note 2 to the financial statements, the Hospital adopted Governmental Accounting Standards Board (GASB) Statement No. 87 - *Leases* and early adopted GASB Statement No. 96 - *Subscription-Based Information Technology Arrangements* during 2022. Our opinion is not modified with respect to this matter.

Board of Trustees
Woodlawn Hospital
Rochester, Indiana

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 twelve months beyond the financial statement date.

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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

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

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

Board of Trustees
Woodlawn Hospital
Rochester, Indiana

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis (unaudited) 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the Hospital's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 2, 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 the Hospital's internal control over financial reporting and compliance.

Blue & Co., LLC
Indianapolis, Indiana
August 2, 2023

REQUIRED SUPPLEMENTARY INFORMATION

WOODLAWN HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2022 AND 2021

Management's discussion and analysis of Woodlawn Hospital's (the Hospital) financial performance provides an overview of the Hospital's financial activities for the year ended December 31, 2022 with comparable information for 2021 and 2020. Please read it in conjunction with the Hospital's financial statements and accompanying notes to the financial statements included in this report.

USING THIS ANNUAL REPORT

This annual report consists of three parts—*management's discussion and analysis*, *financial statements*, and *reporting under Government Auditing Standards and the Uniform Guidance*.

- In the "*management's discussion and analysis*" section of this report, management discusses various components of the annual report and provide an analysis of the current financial statement information.
- The "*financial statements*" section of this report includes a series of financial statements, which provide information about the activities of the Hospital as a whole. The statements of net position reveal the assets, deferred outflows, liabilities, and net position of the Hospital on December 31, 2022 and 2021 while the statements of revenues, expenses and changes in net position summarize the revenues and expenses, including nonoperating items for the years then ended. The statements of cash flows summarize the change in cash and cash equivalents as a result of operating, investing and financing activities during the year. The notes to the financial statements disclose additional information addressed within the body of the financial statements.
- The "*reporting under Government Auditing Standards and the Uniform Guidance*" section of this report includes a schedule of federal expenditures of federal awards and corresponding reporting. The schedule of expenditures of federal awards reports expenditures of funds during 2022 derived from awards from federal sources. The schedule of findings and questioned costs reports a summary of financial statement and single audit results and, if necessary, applicable findings or control deficiencies.

FINANCIAL HIGHLIGHTS

- The Hospital's net position decreased approximately \$1,677,000 in 2022 and increased approximately \$4,918,000 in 2021.
- Operating loss decreased approximately \$2,670,000 and \$1,920,000 in 2022 and 2021, respectively.
- Non-operating revenues (expenses) decreased approximately \$9,265,000 and \$4,331,000 2022 and 2021, respectively.
- During 2022, the Hospital adopted Governmental Accounting Standards Board (GASB) Statement No. 87 - *Leases* and early adopted GASB Statement No. 96 - *Subscription-Based Information Technology Arrangements (SBITAs)* which require certain leases and software subscriptions to be recorded in the statement of net position.

WOODLAWN HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2022 AND 2021

THE STATEMENT OF NET POSITION AND STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

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

These two statements report the Hospital's net position and changes in them. Think of the Hospital's net position—the difference between assets, deferred outflows of resources and liabilities—as one measure the Hospital's financial health or financial position. Over time, increases or decreases in the Hospital's net position are one indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, however, such as changes in the Hospital's patient base, changes in legislation or 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 Hospital's net position is the difference between its assets and deferred outflows and liabilities. The following information documents in summary the net position and the changes in net position related to activities of the Hospital as of December 31, 2022 and 2021 and for the years then ended.

Table 1 – Statements of Net Position

	2022	Restated 2021	Change 2022 - 2021	Restated 2020	Change 2021 - 2020
Assets					
Current assets	\$ 38,005,806	\$ 42,300,620	\$ (4,294,814)	\$ 44,760,867	\$ (2,460,247)
Assets whose use is limited	6,840,888	6,439,210	401,678	3,417,528	3,021,682
Capital assets, net	19,553,670	19,794,764	(241,094)	19,039,671	755,093
Total assets	64,400,364	68,534,594	(4,134,230)	67,218,066	1,316,528
Deferred outflows	154,304	308,606	(154,302)	462,908	(154,302)
Total assets and deferred outflows	<u>\$ 64,554,668</u>	<u>\$ 68,843,200</u>	<u>\$ (4,288,532)</u>	<u>\$ 67,680,974</u>	<u>\$ 1,162,226</u>
Liabilities					
Current liabilities	\$ 22,299,751	\$ 23,307,349	\$ (1,007,598)	\$ 26,841,508	\$ (3,534,159)
Other liabilities	8,385,078	9,989,493	(1,604,415)	10,211,577	(222,084)
Total liabilities	30,684,829	33,296,842	(2,612,013)	37,053,085	(3,756,243)
Net position					
Net investment in capital assets	9,317,991	7,653,852	1,664,139	6,930,975	722,877
Unrestricted	24,551,848	27,892,506	(3,340,658)	23,696,914	4,195,592
Total net position	33,869,839	35,546,358	(1,676,519)	30,627,889	4,918,469
Total liabilities and net position	<u>\$ 64,554,668</u>	<u>\$ 68,843,200</u>	<u>\$ (4,288,532)</u>	<u>\$ 67,680,974</u>	<u>\$ 1,162,226</u>

WOODLAWN HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2022 AND 2021

The following discussion includes changes from 2021 to 2022. The significant change in the Hospital's assets was current assets, which decreased approximately \$4,295,000. Current assets decreased primarily due to usage of cash and cash equivalents for acquisition and construction of capital assets and payments on long-term debt and lease liabilities. The significant changes in the Hospital's liabilities included current liabilities, which decreased approximately \$1,008,000, and other liabilities, which decreased approximately \$1,604,000. Current liabilities decreased primarily due to timing of salaries and wages accrual and other liabilities decreased due to principal payments on long-term debt and lease and SBITA liabilities over additions. The Hospital's net position decreased approximately \$1,677,000 due to operating loss and non-operating expenses, net.

The following discussion includes changes from 2020 to 2021. The significant changes in the Hospital's assets included current assets, which decreased approximately \$2,460,000, assets whose use is limited, which increased approximately \$3,022,000, and capital assets, net, which increased approximately \$755,000. Current assets decreased due to transfers of cash and cash equivalents to assets whose use is limited as well as a decrease in cash and cash equivalents due to payment of Medicare accelerated payments. Assets whose use is limited increased primarily due to purchases of investments and positive market conditions in 2021. Capital assets, net increased primarily due to current year additions for the magnetic resonance imaging (MRI) and computed tomography (CT) units. The significant change in the Hospital's liabilities was current liabilities, which decreased approximately \$3,534,000. Current liabilities decreased primarily due to estimated third party settlements and refundable advances, which decreased approximately \$3,896,000 and \$4,899,000, respectively, due to payment of Medicare accelerated payments and recognition of Provider Relief Funds (PRF), respectively, received in 2020 in response to the COVID-19 pandemic. The Hospital's net position increased approximately \$4,918,000 due to non-operating revenues, net, partially offset by operating loss.

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

	2022	Restated 2021	Change 2022 - 2021	Restated 2020	Change 2021 - 2020
Operating revenues					
Net patient service revenue	\$ 179,122,865	\$ 181,447,924	\$ (2,325,059)	\$ 178,987,597	\$ 2,460,327
Other operating revenue	4,972,972	1,833,062	3,139,910	2,219,502	(386,440)
Total operating revenues	<u>184,095,837</u>	<u>183,280,986</u>	814,851	181,207,099	2,073,887
Operating expenses					
Salaries and benefits	35,715,976	38,140,553	(2,424,577)	34,498,303	3,642,250
Purchased services	113,006,505	112,124,380	882,125	117,819,751	(5,695,371)
Depreciation and amortization	2,766,491	2,696,046	70,445	1,739,270	956,776
Other operating expenses	33,892,905	34,276,069	(383,164)	33,026,179	1,249,890
Total operating expenses	<u>185,381,877</u>	<u>187,237,048</u>	(1,855,171)	187,083,503	153,545
Operating loss	(1,286,040)	(3,956,062)	2,670,022	(5,876,404)	1,920,342
Non-operating revenues (expenses)	(390,479)	8,874,531	(9,265,010)	13,205,698	(4,331,167)
Change in net position	(1,676,519)	4,918,469	(6,594,988)	7,329,294	(2,410,825)
Net position beginning of year	35,546,358	30,627,889	4,918,469	23,298,595	7,329,294
Net position end of year	<u>\$ 33,869,839</u>	<u>\$ 35,546,358</u>	<u>\$ (1,676,519)</u>	<u>\$ 30,627,889</u>	<u>\$ 4,918,469</u>

WOODLAWN HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2022 AND 2021

SOURCES OF REVENUE

During 2022 and 2021, the Hospital derived substantially all of its revenue from patient service and other related activities. A significant portion of the patient service revenue is from patients that are insured by government health programs, principally Medicare and Medicaid, which are highly regulated and subject to frequent and substantial changes. Revenues from the Medicare and Medicaid programs represented 38% and 37% of the Hospital's gross revenues in 2022 and 2021, respectively. Revenues from managed care entities covering Medicaid patients are reflected in other commercial payors. Following is a table of major sources of gross patient revenues for 2022, 2021, and 2020:

	2022	2021	2020
Medicare	24%	25%	28%
Medicaid	14%	12%	12%
Blue Cross	22%	22%	21%
Other commercial payors	38%	38%	36%
Self-pay	2%	3%	3%
	<u>100%</u>	<u>100%</u>	<u>100%</u>

The Hospital's outpatient services represented approximately 44% and 42% of the Hospital's gross patient revenue in 2022 and 2021, respectively.

OPERATING AND FINANCIAL PERFORMANCE

The Hospital's net position decreased approximately \$1,677,000 in 2022 and increased approximately \$4,918,000 in 2021, as shown in Table 2. The Hospital's return (loss) on net position was approximately (4.7%), 16.1%, and 31.5% for the years ended December 31, 2022, 2021, and 2020, respectively. This following section highlights the major financial factors for 2022 and 2021:

- Net patient service revenue was approximately \$179,123,000 in 2022, which decreased approximately \$2,325,000 from 2021. Operating expenses decreased approximately \$1,855,000 or 1.0% from 2021. Net patient service revenue was approximately \$181,448,000 in 2021, which increased approximately \$2,460,000 from 2020. Operating expenses increased approximately \$154,000 or 0.1% from 2020.
- Salaries and benefits was the expense classification with the largest decrease from 2021, decreasing approximately \$2,425,000 or 6.4% from 2021 primarily due to declines in full-time equivalent employees. Purchased services was the expense classification with the largest decrease from 2020, decreasing approximately \$5,695,000 or 4.8% primarily due to expenses incurred in response to the COVID-19 pandemic during 2020.

WOODLAWN HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2022 AND 2021

- Non-operating revenue (expenses), net decreased approximately \$9,265,000 from 2021 to 2022, primarily due to approximately \$9,357,000 COVID-19 grant funds recognized in 2021. Non-operating revenue (expenses), net decreased approximately \$4,297,000 from 2020 to 2021, primarily due to less PRF received and recognized that were distributed to healthcare providers as well as a Paycheck Protection Program (PPP) loan, distributed to certain qualifying organizations impacted by the outbreak of the COVID-19 pandemic, recognized in 2020.

THE STATEMENT OF CASH FLOWS

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

Table 3 – Statements of Cash Flows

	2022	Restated 2021	Change 2022 - 2021	Restated 2020	Change 2021 - 2020
Cash flow from (used in) activities					
Operating	\$ 392,825	\$ (2,242,947)	\$ 2,635,772	\$ (1,492,705)	\$ (750,242)
Noncapital financing	-	4,458,600	(4,458,600)	18,256,816	(13,798,216)
Capital and related financing	(4,298,078)	(3,765,439)	(532,639)	(3,873,890)	108,451
Investing	(600,363)	(3,102,041)	2,501,678	2,333,252	(5,435,293)
Change in cash and cash equivalents	<u>\$ (4,505,616)</u>	<u>\$ (4,651,827)</u>	<u>\$ 146,211</u>	<u>\$ 15,223,473</u>	<u>\$ (19,875,300)</u>
Cash and cash equivalents					
Beginning of year	<u>\$ 21,241,075</u>	<u>\$ 25,892,902</u>		<u>\$ 10,669,429</u>	
End of year	<u>\$ 16,735,459</u>	<u>\$ 21,241,075</u>		<u>\$ 25,892,902</u>	

Total cash and cash equivalents decreased approximately \$4,506,000 and \$4,652,000 in 2022 and 2021, respectively, and increased approximately \$15,223,000 in 2020. Operating activities generated cash and cash equivalents of approximately \$393,000. Operating activities used cash and cash equivalents of approximately \$2,243,000 during 2021 mainly from payment of Medicare accelerated payments. Operating activities used cash and cash equivalents of approximately \$1,493,000 during 2020 mainly from cash received from patients and third-party payors. Noncapital financing activities generated cash and cash equivalents of approximately \$4,459,000 and \$18,257,000 during 2021 and 2020, respectively, due to governmental funds received for additional expenses incurred in response to the COVID-19 pandemic. Capital and related financing activities used cash and cash equivalents by approximately \$4,298,000, \$3,765,000, and \$3,874,000 during 2022, 2021 and 2020, respectively, mainly as a result of expenditures for property and equipment additions as well as payments on long-term debt and lease and SBITA liabilities. Investing activities used cash and cash equivalents by approximately \$600,000 and \$3,102,000 during 2022 and 2021, respectively, and generated cash and cash equivalents by approximately \$2,333,000 during 2020 due to transfer of funds to and from assets whose use is limited and variances in purchases and sales of investments in 2022, 2021, and 2020.

WOODLAWN HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2022 AND 2021

CAPITAL ASSETS

During 2022 and 2021, the Hospital's net capital assets decreased approximately \$241,000 and increased approximately \$755,000, respectively. The change in capital assets is outlined in the following table:

	2022	Restated 2021	Change 2022 - 2021	Restated 2020	Change 2021 - 2020
Capital assets					
Non-depreciable capital assets	\$ 2,362,335	\$ 854,907	\$ 1,507,428	\$ 596,216	\$ 258,691
Depreciable capital assets	37,134,798	36,960,756	174,042	35,446,900	1,513,856
Intangible right-to-use assets	8,271,561	7,990,717	280,844	8,471,495	(480,778)
	<u>47,768,694</u>	<u>45,806,380</u>	<u>1,962,314</u>	<u>44,514,611</u>	<u>1,291,769</u>
Less accumulated depreciation	23,213,128	22,416,960	796,168	21,175,617	1,241,343
Less accumulated amortization	5,001,896	3,594,656	1,407,240	4,299,323	(704,667)
Capital assets, net	<u>\$ 19,553,670</u>	<u>\$ 19,794,764</u>	<u>\$ (241,094)</u>	<u>\$ 19,039,671</u>	<u>\$ 755,093</u>

More detailed information about the Hospital's capital assets is presented in the notes to the financial statements.

LONG-TERM DEBT AND LEASE AND SBITA LIABILITIES

Total long-term debt and lease and SBITA liabilities decreased from approximately \$12,141,000 in 2021 to \$10,236,000 in 2022 due to principal payments paid during the year. Total long-term debt and lease and SBITA liabilities increased from approximately \$12,109,000 in 2020 to \$12,141,000 in 2021 due to leases being entered into partially offset by principal payments paid during the year. More detailed information about the Hospital's long-term debt and lease and SBITA liabilities is presented in the notes to the financial statements.

ECONOMIC FACTORS

Management believes that the healthcare industry's operating margins will continue to be under pressure as a result of changes in payor mix and growth in operating expenses that exceed any increases in contractually arranged and legally established payments received for services provided. Another factor that poses a challenge to management is the increasing competitive market for the delivery of health care services. This competitive market challenge will potentially be offset by the expected growth in the service area. The Hospital will still be faced with the challenge of providing quality services in an increasingly competitive environment, while at the same time managing costs. The Hospital will be affected by the increases in labor costs due to the competition for health care workers. The Hospital is also affected by the uncertainty of federal healthcare reform.

CONTACTING THE HOSPITAL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Hospital Administrative offices at 1400 East Ninth Street, Rochester, IN 46975.

WOODLAWN HOSPITAL

STATEMENTS OF NET POSITION DECEMBER 31, 2022 AND 2021

ASSETS AND DEFERRED OUTFLOWS

	2022	Restated 2021
Current assets		
Cash and cash equivalents	\$ 10,899,051	\$ 16,696,865
Patient accounts receivable, net	18,557,876	17,871,417
Inventories	1,313,131	1,489,898
Estimated third party settlements	158,032	-0-
Current portion of board designated investments	3,810,755	2,225,000
Other current assets	3,266,961	4,017,440
Total current assets	38,005,806	42,300,620
Assets whose use is limited		
Board designated investments	10,651,643	8,664,210
Less current portion of board designated investments	(3,810,755)	(2,225,000)
Assets whose use is limited, net of current portion	6,840,888	6,439,210
Capital assets		
Non-depreciable capital assets	2,362,335	854,907
Depreciable capital assets, net	13,921,670	14,543,796
Intangible right-to-use assets, net	3,269,665	4,396,061
Total capital assets, net	19,553,670	19,794,764
Total assets	64,400,364	68,534,594
Deferred outflows	154,304	308,606
Total assets and deferred outflows	\$ 64,554,668	\$ 68,843,200

See accompanying notes to financial statements.

WOODLAWN HOSPITAL

STATEMENTS OF NET POSITION DECEMBER 31, 2022 AND 2021

LIABILITIES AND NET POSITION

	2022	Restated 2021
Current liabilities		
Accounts payable and accrued expenses	\$ 18,360,152	\$ 17,983,783
Accrued salaries and related liabilities	2,088,998	2,967,316
Estimated third party settlements	-0-	204,831
Current portion of long-term debt	675,253	723,671
Current portion of lease and SBITA liabilities	1,175,348	1,427,748
Total current liabilities	<u>22,299,751</u>	<u>23,307,349</u>
Other liabilities		
Long-term debt	6,308,576	6,983,138
Long-term lease and SBITA liabilities	2,076,502	3,006,355
Total other liabilities	<u>8,385,078</u>	<u>9,989,493</u>
Total liabilities	30,684,829	33,296,842
Net position		
Net investment in capital assets	9,317,991	7,653,852
Unrestricted	24,551,848	27,892,506
Total net position	<u>33,869,839</u>	<u>35,546,358</u>
Total liabilities and net position	<u>\$ 64,554,668</u>	<u>\$ 68,843,200</u>

See accompanying notes to financial statements.

WOODLAWN HOSPITAL

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	Restated 2021
Operating revenues		
Net patient service revenue	\$ 179,122,865	\$ 181,447,924
Other operating revenue	4,972,972	1,833,062
Total operating revenue	184,095,837	183,280,986
Operating expenses		
Salaries and wages	26,827,111	27,881,481
Employee benefits	8,888,865	10,259,072
Purchased services	113,006,505	112,124,380
Supplies	8,173,370	9,363,399
Rent	10,647,883	10,628,092
Utilities	5,761,541	5,281,790
Repairs and maintenance	3,384,662	3,372,839
Insurance	1,879,772	2,035,581
Hospital Assessment Fee	2,802,386	2,235,398
Depreciation and amortization	2,766,491	2,696,046
Other	1,243,291	1,358,970
Total operating expenses	185,381,877	187,237,048
Operating loss	(1,286,040)	(3,956,062)
Nonoperating revenue (expense)		
Investment income	94,872	17,959
Interest expense	(464,691)	(500,818)
Loss on disposition of assets	(20,660)	-0-
COVID-19 grant funds	-0-	9,357,390
Total nonoperating revenue (expense)	(390,479)	8,874,531
Change in net position	(1,676,519)	4,918,469
Net position		
Beginning of year	35,546,358	30,627,889
End of year	\$ 33,869,839	\$ 35,546,358

See accompanying notes to financial statements.

WOODLAWN HOSPITAL

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	Restated 2021
Operating activities		
Cash received from patients and third party payors	\$ 175,271,157	\$ 173,542,648
Cash paid to employees for wages and benefits	(36,594,294)	(38,008,063)
Cash paid to vendors for goods and services	(143,257,010)	(139,610,594)
Other operating receipts, net	4,972,972	1,833,062
Net cash from (used in) operating activities	392,825	(2,242,947)
Noncapital financing activities		
COVID-19 grant funds	-0-	4,458,600
Capital and related financing activities		
Acquisition and construction of capital assets	(1,647,310)	(1,184,112)
Interest paid on long-term debt	(419,744)	(434,350)
Interest paid on lease liabilities	(19,943)	(34,355)
Interest paid on SBITA liabilities	(25,004)	(32,113)
Principal paid on long-term debt	(722,980)	(686,888)
Principal paid on lease liabilities	(1,218,277)	(1,155,910)
Principal paid on SBITA liabilities	(244,820)	(237,711)
Net cash used in capital and related financing activities	(4,298,078)	(3,765,439)
Investing activities		
Investment income	94,872	17,959
Purchase of assets whose use is limited	(4,815,235)	(4,120,000)
Proceeds from sale of assets whose use is limited	4,120,000	1,000,000
Net cash used in investing activities	(600,363)	(3,102,041)
Net change in cash and cash equivalents	(4,505,616)	(4,651,827)
Cash and cash equivalents		
Beginning of year	21,241,075	25,892,902
End of year	\$ 16,735,459	\$ 21,241,075

See accompanying notes to financial statements.

WOODLAWN HOSPITAL

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	Restated 2021
Reconciliation of operating loss to net cash from operating activities		
Operating loss	\$ (1,286,040)	\$ (3,956,062)
Adjustments to reconcile operating loss to net cash from (used in) operating activities:		
Depreciation and amortization	2,766,491	2,696,046
Provision for uncollectable accounts	5,856,467	4,550,610
Changes in assets and liabilities		
Patient accounts receivable	(6,542,926)	(6,324,003)
Inventories	176,767	67,335
Estimated third party settlements	(362,863)	(3,896,485)
Other current assets	750,479	(387,204)
Accounts payable and accrued expenses	(87,232)	4,874,326
Accrued salaries and related liabilities	(878,318)	132,490
Net cash from (used in) operating activities	\$ 392,825	\$ (2,242,947)
Reconciliation of cash and cash equivalents to the statements of net position		
Cash and cash equivalents		
In cash and cash equivalents	\$ 10,899,051	\$ 16,696,865
In assets whose use is limited	5,836,408	4,544,210
Total cash and cash equivalents	\$ 16,735,459	\$ 21,241,075
Supplemental cash flows information		
Capital assets in accounts payable	\$ 463,601	\$ -0-
Capital assets financed through lease liabilities	\$ 280,844	\$ 2,112,725

See accompanying notes to financial statements.

WOODLAWN HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity

Woodlawn Hospital (the Hospital) is a hospital located in Rochester, Indiana. The Hospital was created by the Board of County Commissioners of Fulton County, Indiana to operate, control and manage all matters concerning Fulton County's health care functions. The Hospital is a county owned facility operating under the Indiana County Hospital Law, Indiana Code 16-22. The Hospital provides acute care including inpatient, outpatient and emergency care as well as long-term care. The Board of County Commissioners of Fulton County appoints the Board of Trustees of the Hospital. For this reason, the Hospital is considered a discrete component unit of Fulton County.

In 1975, the Board of County Commissioners of Fulton County, upon written request of the Hospital Board of Trustees, created the Fulton County Hospital Association (the Association). The Association was created pursuant to the provisions of Indiana Code 16-22-6 for the exclusive purpose of financing and constructing hospital facilities of the Hospital. The Association's net position as of December 31, 2022 and 2021 and related changes in net position and cash flows for the years then ended were not significant.

For financial reporting purposes, the Hospital's reporting entity consists of the primary government and component unit organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete, and they are financially accountable to the primary government. There were no balances or transactions to report related to component unit organizations as of December 31, 2022 and 2021 and for the years then ended.

Long-Term Care Operations

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

The Hospital has entered into lease agreements with the long-term care facilities, collectively referred to as the Lessors, to lease the facilities managed by the managers. Concurrently, the Hospital entered into agreements with the managers to manage the above leased facilities. As part of the agreements, the Hospital pays the managers a management fee to continue managing the facilities on behalf of the Hospital in accordance with the terms of the agreements. These management fees consist of base management fees, subordinated management fees, and quarterly incentive payments. The agreements expire at various times through December 31, 2024. The terms of these agreements may be renewed at the end of each term for an additional period of two years. All parties involved can terminate the agreement without cause with 90 days written notice.

WOODLAWN HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Measurement Focus and Basis of Accounting

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

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include all cash held in checking, savings, and certificates of deposits accounts available for operating purposes with original maturity dates of 90 days or less from purchase date. The Hospital maintains its cash in accounts, which at times may exceed federally insured limits. The Hospital has not experienced any losses in such accounts. The Hospital believes that it is not exposed to any significant credit risk on cash and cash equivalents.

Patient Accounts Receivable and Net Patient Service Revenue

Patient revenues and the related accounts receivable are recorded at the time services to patients are performed and are reported based on gross charges, net of certain deductions from those charges. The Hospital is a provider of services to patients entitled to coverage under Titles XVIII and XIX of the Health Insurance Act (Medicare and Medicaid). The Hospital was granted Critical Access Status by Medicare and is paid for Medicare services based upon a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at an interim rate, with final settlement determined after submission of annual cost reports. The Hospital is reimbursed for Medicaid inpatient services under a prospectively determined rate-per-discharge and for Medicaid outpatient services based on a predetermined fee schedule. For both Medicare and Medicaid, differences between the total program billed charges and the payments received are reflected as deductions from revenue. 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. Long-term care services rendered to Medicaid program beneficiaries are paid on a per diem basis.

At the Hospital's year-end, a cost report is filed with the Medicare program computing reimbursement amounts related to Medicare patients. The difference between computed reimbursement and interim reimbursement is reflected as a receivable from or payable to the third-party program. The Medicare program cost reports have been audited through December 31, 2020 with immaterial differences reflected as deductions from revenue in 2022. Amounts from unresolved cost reports for 2021 and 2022 are reflected in estimated third party settlements on the statements of net position.

WOODLAWN HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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

The Hospital received a favorable rural health clinic determination in 2022. Settlement amounts of approximately \$3,108,000 are included within other revenues in the statement of revenues, expenses and changes in net position during 2022 and settlement receivables of approximately \$765,000 are included within estimated third party settlements in the statement of net position as of December 31, 2022.

Hospital Assessment Fee Program

The purpose of the Hospital Assessment Fee (HAF) Program is to fund the State share of enhanced Medicaid payments and Medicaid Disproportionate Share (DSH) payments for Indiana hospitals as reflected in the Hospital assessment fee expense reported in the statements of revenues, expenses and changes in net position.

Previously, the State share was funded by governmental entities through intergovernmental transfers. The Medicaid enhanced payments relate to both fee for service and managed care claims. The Medicaid enhanced payments are designed to follow the patients and result in increased Medicaid rates. During 2022 and 2021, the Hospital recognized HAF expense of approximately \$2,802,000 and \$2,235,000, respectively, which resulted in increased Medicaid reimbursement.

As a governmental entity, the Hospital is also eligible for the Indiana Medicaid Supplemental programs including Medicaid DSH and Municipal Upper Payment Limit programs. The Hospital recognized reimbursement from these programs within net patient revenue of approximately \$684,000 and \$790,000 during 2022 and 2021, respectively. These programs are administered by the State of Indiana but rely on Federal funding.

Charity Care

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

The estimated costs of providing charity services are based on a calculation, which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on the Hospital's total expenses divided by gross patient services. Of the Hospital's total expenses reported, excluding the long-term care expenses, an estimated \$553,000 and \$665,000 arose from providing services to charity patients during the years ended December 31, 2022 and 2021, respectively.

WOODLAWN HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Inventories

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

Assets Whose Use is Limited

Assets whose use is limited are stated at cost which approximates fair value in the financial statements. These assets include investments designated by the Hospital Board of Trustees for internal purposes and capital improvements. These investments consist primarily of cash and cash equivalents and certificates of deposit. Investment income is reported as nonoperating income in the statements of revenues, expenses, and changes in net position.

Capital Assets and Depreciation

Capital assets such as property and equipment are stated at cost and include expenditures for new additions and other costs added to existing facilities which substantially increase the useful lives of existing facilities. Maintenance, repairs, and minor renewals are expensed as incurred. The Hospital provides for depreciation of property and equipment using annual rates, which are sufficient to depreciate the cost of depreciable assets over their estimated useful lives using the straight-line method. The range of useful lives in computing depreciation is as follows:

<u>Description</u>	<u>Range of Useful Lives</u>
Land improvements	2-25 years
Buildings and fixed equipment	5-40 years
Major movable and minor equipment	2-20 years

Intangible right-of-use assets are recognized on the lease or subscription-based information technology arrangement (SBITA) commencement date in an amount that represents the present value of the future lease or SBITA payments over the lease or SBITA term. Intangible right-to-use assets are amortized over the term of the current lease or SBITA.

Deferred Outflows

The accounting for the acquisition of Fulton County Medical Center discussed in Note 11 resulted in recognizing intangible assets for goodwill and similar items of approximately \$1,543,000. The carrying amount of the assets will be amortized on a straight-line basis over a period of 10 years. Total amortization expense of intangible assets for goodwill and similar items for the years ended December 31, 2022 and 2021 was approximately \$154,000.

Net Position

Net position of the Hospital is classified in two components. (1) Net investment in capital assets consists of capital assets, net reduced by outstanding borrowings used to finance the purchase or construction of those assets. (2) Unrestricted net position is the remaining net position that does not meet the definition of invested in capital assets, net of related debt.

WOODLAWN HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Restricted Resources

When the Hospital has both restricted and unrestricted resources available to finance a particular program, it is the Hospital's policy to use restricted resources before unrestricted resources. Approval by the Hospital Board of Trustees is required for use of restricted resources. As of December 31, 2022 and 2021, the Hospital did not have any restricted resources.

Operating Revenues and Expenses

The Hospital's statements of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the Hospital's principal activity. Nonexchange revenues, COVID-19 grant funds, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Grants and Contributions

From time to time, the Hospital receives grants and contributions from government agencies, 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. Grants are recognized to the extent that the Hospital meets the terms and conditions of the grant. To the extent the Hospital has not met the terms and conditions of the grant, amounts are recorded as refundable advances within the statements of net position.

Advertising and Community Relations

The Hospital records advertising and community relations expense in the period incurred. Total expense for advertising and community relations was approximately \$191,000 and \$449,000 for 2022 and 2021, respectively, and are included within other operating expenses on the statements of revenue, expenses and changes in net position.

Compensated Absences

The Hospital's employees earn time off at varying rates depending on years of service under separate policies for sick, vacation and personal leaves. The estimated amount of unused time off is reported as a liability in the financial statements.

WOODLAWN HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Federal or State Income Taxes

The Hospital is a governmental instrumentality organized under Title 16, Article 12, of the Indiana statutes. The Hospital is generally exempt from federal income tax under Section 115 of the Internal Revenue Code (IRC) of 1986. As a governmental entity under Section 115 of the IRC, the Hospital is not required to file Federal Form 990, Return of Organization Exempt from Income Tax, which is an informational return only.

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. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Medical Malpractice

Malpractice insurance coverage is provided under a claims-made policy. Should the claims-made policy be terminated, the Hospital has the option to purchase insurance for claims having occurred during its term but reported subsequently.

The Indiana Medical Malpractice Act, IC 34-18 (the Act) provides a maximum recovery of \$1,800,000 for an occurrence of malpractice. The Act requires the Hospital to maintain medical malpractice liability insurance in the amount of at least \$500,000 per occurrence (\$10,000,000 in the annual aggregate based on hospital bed size). The Act also requires the Hospital to pay a surcharge to the State Patient's Compensation Fund (the Fund). The Fund is used to pay medical malpractice claims in excess of per occurrence and the annual aggregate amounts as noted above, under certain terms and conditions. No accrual for possible losses attributable to incidents that may have occurred but that have not been identified has been made because the amount, if any, is not reasonably estimable. The Fund is on a claims-made basis and as long as this coverage is continuous or replaced with equivalent insurance, claims based on occurrences during its term but reported subsequently will be insured.

Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Hospital's claim experience, an accrual for estimated malpractice costs for identified claims was approximately \$25,000 as of December 31, 2022 and 2021. It is reasonably possible that this estimate could change materially in the near term.

Litigation

The Hospital is involved in litigation and regulatory investigations arising in the normal course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Hospital's future financial position, results from operations, and cash flows.

WOODLAWN HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Subsequent Events

The Hospital evaluates events or transactions occurring subsequent to the statement of net position date for recognition and disclosure in the accompanying financial statements through the date the financial statements were available to be issued which is August 2, 2023.

2. CHANGE IN ACCOUNTING PRINCIPLES

GASB Statement No. 87 – Leases and GASB Statement No. 96 - Subscription-Based Information Technology Arrangements (SBITAs)

In 2022, the Hospital adopted Governmental Accounting Standards Board (GASB) Statement No. 87 – *Leases* (GASB 87) and early adopted GASB Statement No. 96 – *SBITAs* (GASB 96), which require all leases and SBITAs that have a maximum possible term greater than 12 months to be recorded in the statements of net position. Previously, leases and SBITAs classified as operating leases and operating expenses were not recorded in the statements of net position. The following table outlines the retrospective adjustments necessary to adopt GASB 87 and GASB 96.

	December 31,	
	2021	2020
Net position, as previously reported	\$ 35,622,094	\$ 30,708,421
GASB 87 and GASB 96 implementation effect:		
Assets		
Intangible right-to-use assets		
Leased building and equipment	3,462,576	2,995,169
SBITA	933,485	1,177,003
Depreciable capital assets, net	(1,979,995)	(1,299,941)
Net change in assets	2,416,066	2,872,231
Liabilities		
Lease liabilities	3,474,883	2,518,068
SBITA liabilities	959,220	1,196,931
Capital leases	(1,942,301)	(762,236)
Net change in liabilities	2,491,802	2,952,763
Net change in beginning net position	(75,736)	(80,532)
Net position, as restated	\$ 35,546,358	\$ 30,627,889

GASB Statement No. 91 – Conduit Debt Obligations

In 2022, the Hospital adopted GASB Statement No. 91 – *Conduit Debt Obligations*. The statement requires a single method of reporting conduit debt obligations by clarifying the existing definition of a conduit debt obligation, establishing that a conduit debt obligation is not a liability of the issuer, and establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations. This statement was adopted prospectively and did not have a significant impact on Hospital's financial statements.

WOODLAWN HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

3. NET PATIENT SERVICE REVENUE

The Hospital has agreements with third party payors that provide for payments to the Hospital at amounts different from its established rates. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The following is a summary of net patient service revenue for 2022 and 2021:

	2022	2021
Inpatient services	\$ 17,291,998	\$ 24,690,810
Outpatient services	126,827,809	120,810,624
Physician services	19,317,448	19,338,482
Long-term care services	125,303,846	120,524,870
Gross patient service revenue	288,741,101	285,364,786
Contractual adjustments	(102,900,408)	(98,353,066)
Charity care	(861,361)	(1,013,186)
Provision for uncollectable accounts	(5,856,467)	(4,550,610)
Deductions from patient service revenue	(109,618,236)	(103,916,862)
Net patient service revenue	\$ 179,122,865	\$ 181,447,924

4. ACCOUNTS RECEIVABLE AND PAYABLE

Patient accounts receivable and accounts payable (including accrued expenses) reported as current assets and liabilities by the Hospital as of December 31, 2022 and 2021 is as follows:

	2022	2021
<u>Patient accounts receivable</u>		
Receivable from Medicare	\$ 3,894,392	\$ 4,922,789
Receivable from Medicaid	2,552,182	2,610,449
Receivable from Blue Cross	2,899,133	3,625,347
Receivable from other commercial payors	9,511,229	8,447,313
Receivable from self-pay patients	5,483,092	4,783,334
Receivable from long-term care services	10,692,654	8,223,746
Total patient accounts receivable	35,032,682	32,612,978
Less allowances for contractual adjustments	(12,180,779)	(11,505,643)
Less allowance for uncollectable accounts	(4,294,027)	(3,235,918)
Total allowances on patient accounts receivable	(16,474,806)	(14,741,561)
Patient accounts receivable, net	\$ 18,557,876	\$ 17,871,417
<u>Accounts payable and accrued expenses</u>		
Payable to suppliers	\$ 18,360,152	\$ 17,983,783
Payable to employees (including taxes and benefits)	2,088,998	2,967,316
Total accounts payable and accrued expenses	\$ 20,449,150	\$ 20,951,099

WOODLAWN HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

5. ASSETS WHOSE USE IS LIMITED

Board Designated Investments

Cash and cash equivalents and certificates of deposit set aside by the Hospital Board of Trustees for identified purposes and over which the Board of Trustees retains control and may, at its discretion, subsequently use for other purposes. The current portion of these investments are designated by the board for interest and principal payments due within a year while the long-term portion is designated to fund depreciation and other long-term capital needs. The following represents assets whose use is limited as of December 31, 2022 and 2021:

	2022	2021
Cash and cash equivalents	\$ 5,836,408	\$ 4,544,210
Certificates of deposit	4,815,235	4,120,000
	\$ 10,651,643	\$ 8,664,210

6. DEPOSITS AND INVESTMENTS

Deposits with financial institutions in the State of Indiana at year-end were entirely insured by the Federal Deposit Insurance Corporation or by the Indiana Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution. Investments are carried at cost, which approximates fair value. Net realized gains and losses on security transactions are determined on the specific identification cost basis. Assets whose use is limited investments consist of cash and cash equivalents and certificates of deposit. As of December 31, 2022 and 2021, the Hospital had the following investments and maturities, all of which were held in the Hospital's name by custodial banks that are agents of the Hospital:

December 31, 2022					
Investment Maturities (in years)					
	Carrying Amount	Less than 1	1-5	6-10	More than 10
Certificates of deposit	\$ 4,815,235	\$ 4,815,235	\$ -0-	\$ -0-	\$ -0-

December 31, 2021					
Investment Maturities (in years)					
	Carrying Amount	Less than 1	1-5	6-10	More than 10
Certificates of deposit	\$ 4,120,000	\$ 4,120,000	\$ -0-	\$ -0-	\$ -0-

Interest rate risk – The Hospital does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

Credit risk – Statutes authorize the Hospital to invest in interest bearing deposit accounts, passbook savings accounts, certificates of deposit, money market accounts, mutual funds, pooled fund investments, securities backed by the full faith and credit of the United States Treasury and repurchase agreements. The statutes require that repurchase agreements be fully collateralized by U.S. Government or U.S. Government Agency obligations.

WOODLAWN HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Deposits and investments consist of the following as of December 31, 2022 and 2021:

	2022	2021
Carrying amount		
Deposits	\$ 16,735,459	\$ 21,241,075
Investments	4,815,235	4,120,000
	<u>\$ 21,550,694</u>	<u>\$ 25,361,075</u>
Included in the following statement of net position captions:		
Cash and cash equivalents	\$ 10,899,051	\$ 16,696,865
Board designated investments	10,651,643	8,664,210
	<u>\$ 21,550,694</u>	<u>\$ 25,361,075</u>

Investment income for the years ended December 31, 2022 and 2021 consisted of interest income and was approximately \$95,000 and \$18,000, respectively.

WOODLAWN HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

7. CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2022 and 2021 is as follows:

	December 31, 2021	Additions	Retirements	Transfers	December 31, 2022
Non-depreciable capital assets					
Land	\$ 596,216	\$ -0-	\$ -0-	\$ -0-	\$ 596,216
Construction in progress	258,691	1,507,428	-0-	-0-	1,766,119
Total non-depreciable capital assets	854,907	1,507,428	-0-	-0-	2,362,335
Depreciable capital assets					
Land improvements	513,782	-0-	-0-	-0-	513,782
Buildings and fixtures	27,528,763	256,366	-0-	-0-	27,785,129
Equipment	8,918,211	347,117	(429,441)	-0-	8,835,887
Total depreciable capital assets	36,960,756	603,483	(429,441)	-0-	37,134,798
Less accumulated depreciation					
Land improvements	447,538	20,947	-0-	-0-	468,485
Buildings and fixtures	15,045,659	659,706	-0-	-0-	15,705,365
Equipment	6,923,763	524,296	(408,781)	-0-	7,039,278
Total accumulated depreciation	22,416,960	1,204,949	(408,781)	-0-	23,213,128
Total depreciable capital assets, net	14,543,796	(601,466)	(20,660)	-0-	13,921,670
Intangible right-to-use assets					
Leased building	1,850,011	-0-	-0-	-0-	1,850,011
Leased equipment	4,436,081	280,844	-0-	-0-	4,716,925
SBITA	1,704,625	-0-	-0-	-0-	1,704,625
Total intangible right-of-use assets	7,990,717	280,844	-0-	-0-	8,271,561
Less accumulated amortization					
Leased building	1,557,093	185,001	-0-	-0-	1,742,094
Leased equipment	1,266,423	978,721	-0-	-0-	2,245,144
SBITA	771,140	243,518	-0-	-0-	1,014,658
Total accumulated amortization	3,594,656	1,407,240	-0-	-0-	5,001,896
Total intangible right-to-use assets, net	4,396,061	(1,126,396)	-0-	-0-	3,269,665
Capital assets, net	<u>\$ 19,794,764</u>	<u>\$ (220,434)</u>	<u>\$ (20,660)</u>	<u>\$ -0-</u>	<u>\$ 19,553,670</u>

WOODLAWN HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

	January 1, 2021	Additions	Retirements	Transfers	December 31, 2021
Non-depreciable capital assets					
Land	\$ 596,216	\$ -0-	\$ -0-	\$ -0-	\$ 596,216
Construction in progress	-0-	258,691	-0-	-0-	258,691
Total non-depreciable capital assets	596,216	258,691	-0-	-0-	854,907
Depreciable capital assets					
Land improvements	508,687	5,095	-0-	-0-	513,782
Buildings and fixtures	27,445,913	82,850	-0-	-0-	27,528,763
Equipment	7,492,300	837,476	(158,378)	746,813	8,918,211
Total depreciable capital assets	35,446,900	925,421	(158,378)	746,813	36,960,756
Less accumulated depreciation					
Land improvements	424,785	22,753	-0-	-0-	447,538
Buildings and fixtures	14,358,749	686,910	-0-	-0-	15,045,659
Equipment	6,392,083	690,058	(158,378)	-0-	6,923,763
Total accumulated depreciation	21,175,617	1,399,721	(158,378)	-0-	22,416,960
Total depreciable capital assets, net	14,271,283	(474,300)	-0-	746,813	14,543,796
Intangible right-to-use assets					
Leased building	1,850,011	-0-	-0-	-0-	1,850,011
Leased equipment	4,916,859	2,112,725	(1,846,690)	(746,813)	4,436,081
SBITA	1,704,625	-0-	-0-	-0-	1,704,625
Total intangible right-of-use assets	8,471,495	2,112,725	(1,846,690)	(746,813)	7,990,717
Less accumulated amortization					
Leased building	1,372,091	185,002	-0-	-0-	1,557,093
Leased equipment	2,399,610	713,503	(1,846,690)	-0-	1,266,423
SBITA	527,622	243,518	-0-	-0-	771,140
Total accumulated amortization	4,299,323	1,142,023	(1,846,690)	-0-	3,594,656
Total intangible right-to-use assets, net	4,172,172	970,702	-0-	(746,813)	4,396,061
Capital assets, net	\$ 19,039,671	\$ 755,093	\$ -0-	\$ -0-	\$ 19,794,764

There were no significant outstanding commitments surrounding capital assets as of December 31, 2022.

Intangible right-to-use assets

In 2022, the Hospital adopted the guidance of GASB 87 and GASB 96 and recognized the value of building space and medical equipment leased and SBITAs, respectively, under long-term contracts.

As of December 31, 2022 and 2021, the Hospital had one agreement in place for building space. The value of the leased building intangible right-to-use asset is amortized over the lease term, including renewable periods the Hospital is reasonably certain to exercise. The amortization period runs through 2023. The terms of the building space lease agreement are addressed in Note 10.

As of December 31, 2022 and 2021, the Hospital had ten lease agreements in place for medical equipment. The values of the leased equipment intangible right-to-use assets are amortized over the lease terms, including renewable periods the Hospital is reasonably certain to exercise. The amortization periods run from 2023 through 2026. The terms of the lease agreements are addressed in Note 10.

WOODLAWN HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

As of December 31, 2022 and 2021, the Hospital had one SBITA in place for an all-inclusive electronic health record, general ledger, and payroll information technology software with no tangible asset component. The value of the SBITA intangible right-to-use asset is amortized over the SBITA term, including renewable periods the Hospital is reasonably certain to exercise. The amortization period runs through 2025. The terms of the SBITA are addressed in Note 10.

8. LINE OF CREDIT

The Hospital has obtained a \$700,000 revolving line of credit with Lake City Bank. The line of credit is secured by all inventory, accounts, equipment, and general intangibles with an approximate net book value of \$17,839,000. The annual interest rate is floating rate equal to prime rate, which was 3.25% at year-end. Interest is calculated on the outstanding principal and is due monthly. The line of credit matures in August 2023, at which time all unpaid principal is due. As of December 31, 2022 and 2021, the Hospital has not drawn down against the line of credit.

9. LONG-TERM DEBT

A summary of long-term debt as of December 31, 2022 is as follows:

- The Hospital's \$7,300,000, Series 2007 Promissory Note is due in monthly installments of \$41,806 for 298 months at a fixed interest rate of 4.76% and commenced on January 1, 2009. A final installment of any unpaid principal and interest is due on December 1, 2033. The Series 2007 promissory note is secured by the related real estate with an approximate net book value of \$9,105,000. This note was issued for the renovation and expansion of Woodlawn Hospital and its parking facilities together with the purchase of the project equipment.
 - The Hospital's \$4,700,000, Series 2008 Promissory Note is due in monthly installments of \$26,916 for 298 months at a fixed interest rate of 4.76% and commenced on January 1, 2009. A final installment of any unpaid principal and interest is due on December 1, 2033. The Series 2008 promissory note is secured by the related real estate with an approximate net book value of \$9,105,000. This note was issued for the acquisition, construction, installation, and equipping of a medical office building together with the purchase of the project equipment.
 - The Hospital has entered into a Promissory Note of \$1,460,432 (Fulton County Medical Clinic note 1) due in monthly installments of \$16,031 for 120 months at a fixed interest rate of 5.75% that commenced on September 1, 2013. A final installment of any unpaid principal and interest is due on August 1, 2023. Any amounts remaining unpaid as of August 1, 2023 will incur a fixed interest rate of 12% on the remaining balance until paid. This note is not secured. This note was issued for the acquisition of certain fixed assets, inventory and intangible assets.
 - The Hospital has entered into a Promissory Note of \$493,768 (Fulton County Medical Clinic note 2) due in monthly installments of \$5,420 for 120 months at a fixed interest rate of 5.75% that commenced on September 1, 2013. A final installment of any unpaid principal and interest is due on August 1, 2023. Any amounts remaining unpaid as of August 1, 2023 will incur a fixed interest rate of 12% on the remaining balance until paid. This note is not secured. This note was issued for the acquisition of certain fixed assets, inventory and intangible assets.
-

WOODLAWN HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

The following represents a progression of long-term debt for the Hospital for the years ended December 31, 2022 and 2021:

	December 31, 2021	Additional Borrowings	Payments	December 31, 2022	Current Portion	Long-term Portion
Direct borrowings - promissory notes						
Series 2007	\$ 4,441,382	\$ -0-	\$ (293,484)	\$ 4,147,898	\$ 309,466	\$ 3,838,432
Series 2008	2,857,251	-0-	(189,288)	2,667,963	197,819	2,470,144
Fulton County Medical Clinic Note 1	305,042	-0-	(179,515)	125,527	125,527	-0-
Fulton County Medical Clinic Note 2	103,134	-0-	(60,693)	42,441	42,441	-0-
Total long-term debt	<u>\$ 7,706,809</u>	<u>\$ -0-</u>	<u>\$ (722,980)</u>	<u>\$ 6,983,829</u>	<u>\$ 675,253</u>	<u>\$ 6,308,576</u>
	December 31, 2020	Additional Borrowings	Payments	December 31, 2021	Current Portion	Long-term Portion
Direct borrowings - promissory notes						
Series 2007	\$ 4,721,066	\$ -0-	\$ (279,684)	\$ 4,441,382	\$ 294,946	\$ 4,146,436
Series 2008	3,037,638	-0-	(180,387)	2,857,251	188,517	2,668,734
Fulton County Medical Clinic Note 1	474,549	-0-	(169,507)	305,042	179,515	125,527
Fulton County Medical Clinic Note 2	160,444	-0-	(57,310)	103,134	60,693	42,441
Total long-term debt	<u>\$ 8,393,697</u>	<u>\$ -0-</u>	<u>\$ (686,888)</u>	<u>\$ 7,706,809</u>	<u>\$ 723,671</u>	<u>\$ 6,983,138</u>

Aggregate maturities of long-term debt are as follows:

Year ending December 31,	Direct borrowings - promissory notes		
	Principal	Interest	Total
2023	\$ 675,253	\$ 323,785	\$ 999,038
2024	528,566	296,108	824,674
2025	555,507	269,167	824,674
2026	582,917	241,756	824,673
2027	611,680	212,993	824,673
2028 - 2032	3,541,218	582,149	4,123,367
2033	488,688	9,781	498,469
	<u>\$ 6,983,829</u>	<u>\$ 1,935,739</u>	<u>\$ 8,919,568</u>

The Series 2007 and Series 2008 promissory notes require the Hospital to comply with certain restrictive financial covenants. The Hospital was not in compliance with the financial and filing covenants as of December 31, 2022, but did obtain a waiver from the lender for the financial and filing covenants for 2022.

10. LEASE AND SBITA LIABILITIES

In 2022, the Hospital adopted the guidance of GASB 87 and GASB 96 for accounting and reporting leases and SBITAs that had previously been reported as operating leases and expenses.

WOODLAWN HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Building Space Lease

The Hospital leases building space under an agreement that runs through 2023 and does not include a renewal option. Monthly payments are approximately \$18,000. The present value of the lease was determined using a discount rate based on the Hospital's incremental borrowing rate of 2.74%. The leased building space and accumulated amortization of the right-to-use asset are outlined in Note 7. The prior period adjustment is discussed in Note 2.

Equipment Leases

The Hospital leases medical equipment under agreements that run from 2023 through 2026. The lease agreements have monthly payments that range from approximately \$5,000 to \$26,000. The present value of each lease was determined using a discount rate based on the Hospital's incremental borrowing rates ranging from 3.50% to 4.50%. The leased equipment and accumulated amortization of the right-to-use assets are outlined in Note 7. The prior period adjustment is discussed in Note 2.

SBITA

The Hospital subscribes to an all-inclusive electronic health record, general ledger, and payroll information technology software agreement that runs through 2025. The SBITA agreement has monthly minimum required payments of approximately \$22,000. A variable payment component exists based on 4.96% of average monthly net collections, net of the monthly minimum required payment. Variable payments are not included in the calculation of the SBITA liability and were approximately \$244,000 and \$196,000 in 2022 and 2021, respectively, and included in repairs and maintenance expense in the statements of revenues, expenses and changes in net position. The present value of the SBITA was determined using a discount rate based on the Hospital's incremental borrowing rate of 2.95%. The SBITA and accumulated amortization of the right-to-use asset is outlined in Note 7. The prior period adjustment is discussed in Note 2.

The following represents a progression of lease and SBITA liabilities for the Hospital for the years ended December 31, 2022 and 2021:

	December 31, 2021	Additions	Reductions	December 31, 2022	Current Portion	Long-term Portion
Lease and SBITA liabilities						
Leased building	\$ 327,677	\$ -0-	\$ (205,299)	\$ 122,378	\$ 122,378	\$ -0-
Leased equipment	3,147,206	280,844	(1,012,978)	2,415,072	800,830	1,614,242
SBITA	959,220	-0-	(244,820)	714,400	252,140	462,260
Total lease and SBITA liabilities	<u>\$ 4,434,103</u>	<u>\$ 280,844</u>	<u>\$ (1,463,097)</u>	<u>\$ 3,251,850</u>	<u>\$ 1,175,348</u>	<u>\$ 2,076,502</u>
	January 1, 2021	Additions	Reductions	December 31, 2021	Current Portion	Long-term Portion
Lease and SBITA liabilities						
Leased building	\$ 527,435	\$ -0-	\$ (199,758)	\$ 327,677	\$ 205,299	\$ 122,378
Leased equipment	1,990,633	2,112,725	(956,152)	3,147,206	977,629	2,169,577
SBITA	1,196,931	-0-	(237,711)	959,220	244,820	714,400
Total lease and SBITA liabilities	<u>\$ 3,714,999</u>	<u>\$ 2,112,725</u>	<u>\$ (1,393,621)</u>	<u>\$ 4,434,103</u>	<u>\$ 1,427,748</u>	<u>\$ 3,006,355</u>

WOODLAWN HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

There were no remeasurements during 2022 or 2021. Scheduled principal and interest payments on lease and SBITA liabilities for the years succeeding December 31, 2022 are as follows:

Year ending December 31,	Leased building		Leased equipment		SBITA		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 122,378	\$ 1,120	\$ 800,830	\$ 54,732	\$ 252,140	\$ 25,004	\$ 1,175,348	\$ 26,124
2024	-0-	-0-	678,582	34,529	259,680	17,684	938,262	17,684
2025	-0-	-0-	565,539	17,646	202,580	10,144	768,119	10,144
2026	-0-	-0-	370,121	3,575	-0-	-0-	370,121	-0-
	<u>\$ 122,378</u>	<u>\$ 1,120</u>	<u>\$ 2,415,072</u>	<u>\$ 110,482</u>	<u>\$ 714,400</u>	<u>\$ 52,832</u>	<u>\$ 3,251,850</u>	<u>\$ 53,952</u>

11. GOVERNMENT ACQUISITIONS

On August 1, 2013, the Hospital acquired the medical practice owned by Kenneth E. Hoff, M.D., P.C., d/b/a Fulton County Medical Clinic (the Clinic) for \$2,154,200 to further integrate care. The Hospital received certain fixed assets, inventory, and intangible assets in consideration for \$200,000 in cash and \$1,954,200 in long-term debt. See Note 1 for further discussion of the deferred outflows and Note 9 for further discussion of the promissory notes.

12. DEFINED CONTRIBUTION PENSION PLANS

Plan Descriptions

The Woodlawn Hospital 403(b) Tax Deferred Annuity Plan (403(b) Plan) and the Woodlawn Hospital 457(b) Deferred Compensation Plan (457(b) Plan) are defined contribution pension plans, as authorized by Indiana Code 16-22-3-11, administered by Lincoln National Life Insurance Company. The plans 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 were established by written agreements between the Hospital's Board of Trustees and the plan administrator.

Funding Policy

The contribution requirements of plan members are established by the written agreements between the Hospital's Board of Trustees and the plan administrator. 403(b) Plan and 457(b) Plan members may contribute a portion of their annual covered salary. The Hospital is required to contribute a matching amount from 10% to 50% of the employees' 403(b) Plan contribution based on years of service. Employer matching contributions to the 403(b) Plan for the calendar year 2022 and 2021 were \$224,000 and \$258,000, respectively. The Hospital is not permitted to contribute to the 457(b) Plan.

WOODLAWN HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

13. CONCENTRATION OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of who are local residents and are insured under third party payor agreements. The mix of receivables and gross patient service revenues from patients and third party payors as of December 31, 2022 and 2021 was as follows:

	Receivables		Revenues	
	2022	2021	2022	2021
Medicare	16%	20%	24%	25%
Medicaid	10%	11%	14%	12%
Blue Cross	12%	15%	22%	22%
Other commercial payors	39%	35%	38%	38%
Self-pay	23%	19%	2%	3%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

14. SELF-INSURANCE

The Hospital is self-insured for employee health claims. A third-party administrator processes the claims for the Hospital. The Hospital maintains an estimated liability for the amount of claims incurred but not reported. The Hospital also maintains reinsurance including a stop loss for individual employees over \$175,000 with an unlimited aggregate amount each year. Substantially all employees are covered for major medical benefits. The total health claims expense was approximately \$6,548,000 and \$7,795,000 for 2022 and 2021, respectively. Claim expenditures and liabilities of the fund are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Changes in the balance of claim liabilities during the past two years are as follows:

	2022	2021
Unpaid claims, beginning of fiscal year	\$ 631,896	\$ 478,194
Incurred claims and changes in estimates	6,548,015	7,795,065
Claims and expenses paid	<u>(6,606,035)</u>	<u>(7,641,363)</u>
Unpaid claims, end of fiscal year	<u>\$ 573,876</u>	<u>\$ 631,896</u>

15. RELATED PARTIES

The Hospital is related to Woodlawn Foundation (Foundation) with three common board members. The Hospital has no ownership interest in the Foundation and is not considered to have control over the Foundation through a majority voting interest.

WOODLAWN HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

16. COVID-19

During 2021 and 2020, Provider Relief Fund (PRF) and Rural Health Clinic Testing and Mitigation (RHCTM) grants authorized under the Coronavirus Aids, Relief, and Economic Security (CARES) Act and the American Rescue Plan Act (ARP) were distributed to healthcare providers impacted by the outbreak of the COVID-19 pandemic primarily under Assistance Listing Number 93.498 and 93.697, respectively. Revenues from PRF and RHCTM grants can be recognized to the extent of expenses incurred specific to responding to the COVID-19 pandemic. Eligible expenses must not be reimbursed from another source and not obligated to be reimbursed from another source. PRF grants that are not fully expended on eligible expenses can then be applied to lost revenues as defined by the guidance issued by the grantor.

The Hospital received PRF and RHCTM grants of approximately \$4,459,000 and \$13,813,000 during 2021 and 2020, respectively. PRF and RHCTM funds are subject to recoupment by the grantor in the event that the conditions for recognition are not satisfied. The Hospital recognized PRF and RHCTM grants of approximately \$9,201,000 and \$9,071,000 in 2021 and 2020, respectively, which is included in nonoperating revenue (expenses), net in the statements of revenues, expenses and changes in net position. No additional PRF and RHCTM funding was received or recognized during 2022. Amounts received prior to incurring qualifying expenditures or lost revenues are reported as refundable advances in the statements of net position. As of December 31, 2020, approximately \$4,742,000 was recorded as refundable advances related to the PRF and RHCTM grants.

Additionally, during 2020, the Hospital received and deferred Indiana Hospital Association, Inc. and other grants of approximately \$156,000, which were included in refundable advances in the statement of net position as of December 31, 2020 and subsequently recognized as revenue during 2021 as COVID-19 grant funds in nonoperating revenue (expenses), net in the statements of revenues, expenses and changes in net position.

The CARES Act also allowed health care providers to request accelerated and advanced payments for Medicare services. During 2020, the Hospital received approximately \$4,196,000 of accelerated and advanced Medicare payments under this CARES Act provision. Settlement of these funds occurred during 2021. No outstanding balances are included within estimated third-party settlements on the statements of net position as of December 31, 2022 and 2021, respectively.

SUPPLEMENTARY INFORMATION



Blue & Co., LLC / 500 N. Meridian Street, Suite 200 / Indianapolis, IN 46204
main 317.633.4705 fax 317.633.4889 email blue@blueandco.com

**REPORT OF INDEPENDENT AUDITORS 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**

Board of Trustees
Woodlawn Hospital
Rochester, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Woodlawn Hospital (the Hospital), a component unit of Fulton County, which comprise the statement of net position as of December 31, 2022, 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 August 2, 2023.

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 Hospital's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Board of Trustees
Woodlawn Hospital
Rochester, Indiana

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blue & Co., LLC

Indianapolis, Indiana
August 2, 2023



Blue & Co., LLC / 500 N. Meridian Street, Suite 200 / Indianapolis, IN 46204
main 317.633.4705 fax 317.633.4889 email blue@blueandco.com

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Woodlawn Hospital
Rochester, Indiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Woodlawn Hospital's (the Hospital) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Hospital's major federal programs for the year ended December 31, 2022. The Hospital's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Hospital complied, in all material respects, with the compliance requirements referred to above is that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Board of Trustees
Woodlawn Hospital
Rochester, Indiana

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Blue & Co., LLC

Indianapolis, Indiana
August 2, 2023

WOODLAWN HOSPITAL

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2022

<u>Grantor/Pass-through Grantor/Program</u>	<u>Grant ID Number</u>	<u>Assistance Listing Number</u>	<u>Federal Expenditures</u>
Major program			
U.S. Department of Health and Human Services COVID-19 - Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	Not applicable	93.498	<u>\$ 4,458,600</u>

See report on schedule of expenditures of federal awards as required by the Uniform Guidance on page 3.
See notes to schedule of expenditures of federal awards on page 33.

WOODLAWN HOSPITAL

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2022

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of Woodlawn Hospital (the Hospital) under programs of the federal government for the year ended December 31, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of the Hospital, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Hospital.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3. SUB-RECIPIENT PASS THROUGH

There were no entities that received pass-through federal awards from the Hospital during the year ended December 31, 2022.

4. PROVIDER RELIEF FUNDS

During 2021 and 2020, the Hospital received COVID-19 grants from the American Rescue Plan (ARP) and the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Under terms and conditions of ARP and CARES, the Hospital is required to report COVID-19 related expenses and lost revenue to the U.S. Department of Health and Human Services (HHS). Guidance from HHS has required the reporting of the COVID-19 related expenses and lost revenue in certain reporting periods based on when the funds were received.

HHS requires PRF amounts received from January 1, 2021 through December 31, 2021, and expended through December 31, 2022, to be reported on the 2022 SEFA rather than the 2021 SEFA. As such, the Hospital received and expended approximately \$4,459,000 in PRF from January 1, 2021 through December 31, 2021 and reported in the 2022 SEFA.

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

The Hospital has determined that the fair value of donated personal protective equipment (PPE) received during 2022 was immaterial to the financial statements. The donated PPE was not considered for purposes of determining the threshold for Uniform Guidance determination of major programs and is not required to be audited as a major program.

