



**Goshen Health System, Inc.
and Subsidiaries
d/b/a Goshen Health**

Consolidated Financial Report
December 31, 2017

Contents

| | |
|---|------|
| Independent Auditor's Report | 1-2 |
| <hr/> | |
| Consolidated financial statements | |
| Consolidated balance sheets | 3-4 |
| Consolidated statements of operations and changes in net assets | 5 |
| Consolidated statements of cash flows | 6 |
| Notes to consolidated financial statements | 7-22 |



RSM US LLP

Independent Auditor's Report

The Board of Directors
Goshen Health System, Inc.
d/b/a Goshen Health
Goshen, Indiana

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Goshen Health System, Inc. and Subsidiaries d/b/a Goshen Health (Goshen Health), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Goshen Health System, Inc. and Subsidiaries d/b/a Goshen Health as of December 31, 2017 and 2016, and the results of their operations, changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Elkhart, Indiana
March 21, 2018

Goshen Health System, Inc. and Subsidiaries
d/b/a Goshen Health
Consolidated Balance Sheets
December 31, 2017 and 2016
(In Thousands)

| | 2017 | 2016 |
|---|-------------------|-------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 15,692 | \$ 3,154 |
| Assets limited as to use | 2,000 | - |
| Patient accounts receivable, less allowances for uncollectible accounts of \$7,725 and \$7,421 in 2017 and 2016, respectively | 39,424 | 33,466 |
| Inventories | 8,783 | 7,316 |
| Prepaid expenses and other | 6,278 | 7,034 |
| Total current assets | 72,177 | 50,970 |
| Assets limited as to use, less current portion | 217,543 | 201,070 |
| Property and equipment: | | |
| Cost of property and equipment in service | 238,183 | 254,655 |
| Less accumulated depreciation | (125,272) | (146,109) |
| | 112,911 | 108,546 |
| Construction-in-progress | 4,680 | 7,369 |
| | 117,591 | 115,915 |
| Other assets | 2,129 | 778 |
| Total assets | \$ 409,440 | \$ 368,733 |

-Continued-

Goshen Health System, Inc. and Subsidiaries
d/b/a Goshen Health
Consolidated Balance Sheets
December 31, 2017 and 2016
(In Thousands)

| | 2017 | 2016 |
|---|-------------------|-------------------|
| Liabilities and Net Assets | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 12,903 | \$ 11,881 |
| Accrued salaries, wages and related liabilities | 15,170 | 13,688 |
| Estimated amounts due to third-party payors | 334 | 334 |
| Current portion of long-term debt | 1,788 | 183 |
| Total current liabilities | 30,195 | 26,086 |
| Noncurrent liabilities: | | |
| Long-term debt, less current portion | 43,565 | 45,348 |
| Other | 895 | 165 |
| | 44,460 | 45,513 |
| Total liabilities | 74,655 | 71,599 |
| Net assets: | | |
| Unrestricted net assets | 332,289 | 295,680 |
| Temporarily restricted net assets | 2,496 | 1,454 |
| | 334,785 | 297,134 |
| Total liabilities and net assets | \$ 409,440 | \$ 368,733 |

See notes to consolidated financial statements.

Goshen Health System, Inc. and Subsidiaries
d/b/a Goshen Health
Consolidated Statements of Operations and Changes in Net Assets
Years Ended December 31, 2017 and 2016
(In Thousands)

| | 2017 | 2016 |
|--|---------------------------------|--------------------------|
| Revenues: | | |
| Patient service revenue (net of contractals and discounts) | \$ 297,835 | \$ 279,697 |
| Provision for uncollectible accounts | (22,819) | (23,288) |
| Net patient service revenue | <u>275,016</u> | 256,409 |
| Other revenue | <u>10,527</u> | 9,018 |
| | <u>285,543</u> | <u>265,427</u> |
| Expenses: | | |
| Salaries, wages and benefits | 146,570 | 131,376 |
| Supplies, drugs, purchased services and other | 108,436 | 101,592 |
| Hospital assessment fee | 6,577 | 5,131 |
| Depreciation and amortization | 12,385 | 11,400 |
| Interest | 1,156 | 1,187 |
| | <u>275,124</u> | <u>250,686</u> |
| Operating income | <u>10,419</u> | <u>14,741</u> |
| Nonoperating income (loss): | | |
| Investment income, net | 27,827 | 12,084 |
| Gain (loss) on interest rate swaps, net | 4 | (45) |
| Other | (1,641) | 217 |
| | <u>26,190</u> | <u>12,256</u> |
| Excess of revenues over expenses | <u>36,609</u> | <u>26,997</u> |
| Other changes in unrestricted net assets: | | |
| Net asset transfer to Indiana University Health | - | (17,976) |
| Increase in unrestricted net assets | <u>36,609</u> | <u>9,021</u> |
| Temporarily restricted net assets: | | |
| Contributions | 1,325 | 234 |
| Net assets released from restrictions | (283) | (161) |
| Increase in temporarily restricted net assets | <u>1,042</u> | <u>73</u> |
| Increase in net assets | <u>37,651</u> | <u>9,094</u> |
| Net assets at beginning of year | <u>297,134</u> | <u>288,040</u> |
| Net assets at end of year | <u><u>\$ 334,785</u></u> | <u><u>\$ 297,134</u></u> |

See notes to consolidated financial statements.

Goshen Health System, Inc. and Subsidiaries
d/b/a Goshen Health
Consolidated Statements of Cash Flows
Years Ended December 31, 2017 and 2016
(In Thousands)

| | 2017 | 2016 |
|---|-----------------|-----------------|
| Cash flows from operating activities: | | |
| Increase in net assets | \$ 37,651 | \$ 9,094 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | | |
| Net asset transfer to Indiana University Health | - | 17,976 |
| (Gain) loss on interest rate swaps | (4) | 45 |
| Change in fair value of interest rate swaps | 88 | 120 |
| Provision for uncollectible patient accounts | 22,819 | 23,288 |
| Depreciation and amortization | 12,385 | 11,400 |
| Contributions for acquisition of property and equipment | (1,107) | (73) |
| Trading securities | (16,298) | (9,052) |
| Changes in operating assets and liabilities: | | |
| Patient accounts receivable | (28,777) | (24,945) |
| Prepaid expenses, inventories, and other assets | (2,060) | (2,247) |
| Accounts payable, accrued expenses and other liabilities | 1,578 | 1,090 |
| Accrued salaries, wages and related liabilities | 1,483 | 355 |
| Estimated amounts due to third-party payors | - | 34 |
| Net cash provided by operating activities | 27,758 | 27,085 |
| Cash flows from investing activities: | | |
| Purchase of property and equipment, net of disposals | (13,969) | (18,695) |
| Restricted funds placed in escrow | (2,175) | (18,000) |
| Net cash used in investing activities | (16,144) | (36,695) |
| Cash flows from financing activities: | | |
| Contributions for acquisition of property and equipment | 1,107 | 73 |
| Proceeds from issuance of long-term debt | - | 28,086 |
| Repayments on and refinancing of long-term debt | (183) | (31,798) |
| Net cash provided by (used in) financing activities | 924 | (3,639) |
| Increase (decrease) in cash and cash equivalents | 12,538 | (13,249) |
| Cash and cash equivalents: | | |
| Beginning of year | 3,154 | 16,403 |
| End of year | \$ 15,692 | \$ 3,154 |
| Supplemental disclosure of noncash operating and investing activities: | | |
| Equipment purchases in accounts payable and accrued expenses | \$ 634 | \$ 452 |

See notes to consolidated financial statements.

**Goshen Health System, Inc. and Subsidiaries
d/b/a Goshen Health**

**Notes to Consolidated Financial Statements
(Dollars in Thousands)**

Mission Statement

The mission of Goshen Health is to improve the health of our communities by providing innovative, outstanding care and services, through exceptional people doing exceptional work.

Compassion – and commitment to service with empathy.

Accountability – with integrity and action.

Respect – through treating others as you wish to be treated.

Excellence – in all we do.

Building upon our mission and values, Goshen Health will deliver exceptional healthcare to the communities we serve using an integrated model of care and achieving excellence through a commitment to quality, leadership and innovation. By 2020, we will achieve this vision by focusing on the following strategic priorities:

- 1. Lead the region in clinical integration and the management of population health.*
- 2. Deliver high value to our patients, providers, payers and Colleagues.*
- 3. Goshen's Oncology and Heart & Vascular service lines become the destination of choice in our broader region.*
- 4. Cultivate a culture for Colleagues where personal and professional missions are aligned.*
- 5. Inspire a spirit of partnership and generosity by engaging our community with opportunities that meet regional health needs.*

Note 1. Organization and Nature of Operations

The accompanying consolidated financial statements represent the accounts of Goshen Health System, Inc. d/b/a Goshen Health and its various affiliated corporations under the control of Goshen Health. Goshen Health is an Indiana not-for-profit corporation exempt from federal income tax under Internal Revenue Code (IRC) Section 501(a) as an organization described in Section 501(c)(3) and a public charity as described in Section 509(a)(3).

Goshen Health was formerly known as Indiana University Health Goshen. From March 1, 2000 through December 31, 2016, Indiana University Health, Inc. (IUH) was the sole corporate member of Goshen Health System, Inc. (System) under an Integrated Definitive Agreement (IDA) between the organizations. In December 2016, the System executed a Separation Agreement with IUH which resulted in the termination of the IDA and the withdrawal of IUH as the System's sole corporate member effective December 31, 2016.

Goshen Health is the sole corporate member of the following entities:

- Goshen Hospital Association, Inc. d/b/a Goshen Hospital is a not-for-profit, acute-care hospital servicing Goshen, Indiana, and surrounding communities in northern Indiana.
- Parkmor Drug, Inc. and Subsidiaries d/b/a Goshen Home Medical, a for-profit corporation, operates a home medical equipment business in Goshen, Indiana.
- Indiana Lakes Managed Care Organization, LLC, a for-profit organization, provides management services for managed care arrangements entered into by Goshen Health and third parties.
- Goshen Health Surgery Center, LLC, a for-profit organization, is an outpatient surgery center in Goshen, Indiana.

Notes to Consolidated Financial Statements
(Dollars in Thousands)

Note 1. Organization and Nature of Operations (Continued)

- Goshen Health Foundation, Inc. (Foundation), a not-for-profit organization, is a philanthropic organization committed to partnering with individuals and organizations to address the community health needs of Goshen, Indiana, and its surrounding communities.

Note 2. Community Benefit and Charity Care

Goshen Health provides health care services and other financial support through various programs that are designed, among other matters, to enhance the health of the community. In addition, Goshen Health provides services intended to benefit the poor and underserved, including those persons who cannot afford health insurance because of inadequate resources or those who are uninsured or underinsured. Health care services to patients under government programs, such as Medicare and Medicaid, are also considered part of Goshen Health's benefit provided to the community since a substantial portion of such services are reimbursed at amounts less than cost.

Goshen Health's financial assistance policies are designed to provide care to patients regardless of their ability to pay, and all uninsured patients are eligible for discounts from established charges. Patients who meet certain criteria (generally based on up to 400% of federal poverty income guidelines and other patients who are victims of certain catastrophic events) are provided care without charge or at amounts less than established rates.

Patient service revenue is reported at estimated net realizable amounts for services rendered. Goshen Health recognizes patient revenue associated with patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients who do not qualify for charity care, revenue is recognized on the basis of discounted rates in accordance with an uninsured discount policy.

The amount of charity care provided is determined based on the qualifying criteria, as defined in the financial assistance policies, through approved applications completed by patients and their families or beneficiaries. Eligibility may also be determined based on analysis of patients without third-party insurance coverage who did not apply for charity and whose income was equal to or less than 200% of federal poverty income guidelines. No payment for services is anticipated for those patients whose charity care applications have been approved, as well as for those other patients whose income is equal to or less than 200% of federal poverty income guidelines and who meet certain other criteria. The cost to provide charity care, estimated by applying the consolidated cost to charge ratio to charges foregone for charity care, was \$3,869 and \$2,650 for the years ended December 31, 2017 and 2016, respectively.

In addition, Goshen Health provides a significant amount of uncompensated care to other uninsured and underinsured patients, which is included in the provision for uncollectible patient accounts.

Enacted March 23, 2010, the Patient Protection and Affordable Care Act (ACA) required, among other things, that hospital organizations establish a financial assistance policy and a policy relating to emergency medical care. Goshen Health has adopted a financial assistance policy that conforms with the ACA and includes financial assistance eligibility criteria, the basis for calculating amounts charged to patients, the method of applying for financial assistance, billing and collections policies with regard to actions that may be taken in the case of non-payment, as well as measures to widely publicize the policies within the communities served. Additionally, hospital organizations must adopt policies that require them to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the organizations' financial assistance policies. Goshen Health has also adopted policies to limit the amount charged for emergency or other medically necessary care that is provided to individuals eligible for assistance under its financial assistance policy to no more than the amounts generally billed to individuals who have insurance covering such care.

Goshen Health System, Inc. and Subsidiaries
d/b/a Goshen Health

Notes to Consolidated Financial Statements
(Dollars in Thousands)

Note 2. Community Benefit and Charity Care (Continued)

Reimbursements are received by Goshen Health for Medicare and Medicaid beneficiaries in accordance with reimbursement agreements and related rules and regulations. Also, Goshen Health receives certain payments under the Medicaid Assessment Fee program from the state of Indiana (see Note 4). These reimbursements and payments are less than the cost of providing the related services.

Through the community health needs assessment that Goshen Health conducted, the following community health needs were identified and selected as priority areas in which Goshen Health will focus on community benefit efforts: access to primary health care, access to behavioral health care, obesity prevention, smoking cessation, and diabetes education. The costs of providing these programs and services are included in expenses in the accompanying consolidated statements of operations and changes in net assets.

Note 3. Significant Accounting Policies

Principles of consolidation: The consolidated financial statements include the accounts of Goshen Health and all majority-owned or controlled subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of estimates: The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and cash equivalents: Investments in highly liquid debt instruments with a maturity of three months or less when purchased, excluding assets limited as to use, are considered by management to be cash equivalents. Goshen Health places its cash and cash equivalents with institutions of high credit quality and/or positions them such that they are insured by the Federal Deposit Insurance Corporation in order to mitigate potential concentrations of credit risk.

Patient accounts receivable, estimated amounts due to third-party payors, and net patient service revenue: Patient accounts receivable and net patient service revenue are reported at estimated net realizable amounts due from patients, third-party payors (e.g. Medicare, Medicaid, health maintenance organizations, and commercial insurance companies), and others at the time services are rendered. Provision is made, by a charge to contractual allowances that reduce patient service revenue, for the difference between gross charges for patient services and estimated reimbursement from these third-party payors. Certain revenue is subject to estimated retroactive revenue adjustments under reimbursement agreements with third-party payors due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period that the related services are rendered, and such amounts are adjusted in future periods as adjustments become known, or as reimbursement periods are settled and are no longer subject to such audits, reviews, and investigations. There were no changes in estimated amounts due to third-party payors that affected patient service revenue during the year ended December 31, 2017. Changes in estimated amounts due to third-party payors increased patient service revenue by approximately \$34 during the year ended December 31, 2016.

Notes to Consolidated Financial Statements
(Dollars in Thousands)

Note 3. Significant Accounting Policies (Continued)

The provision for uncollectible patient accounts, for all payors, is recognized when services are provided based upon management's assessment of historical and expected net collections, taking into consideration business and economic conditions, changes and trends in health care coverage, and other collection indicators. Periodically, management assesses the adequacy of the allowance for uncollectible accounts based upon accounts receivable payor composition and aging, the significance of individual payors to outstanding accounts receivable balances, and historical write-off experience by payor category, as adjusted for collection indicators. The results of the review are then used to make any modifications to the provision for uncollectible accounts and the allowance for uncollectible accounts. In addition, Goshen Health follows established guidelines for placing certain past due patient balances with collection agencies. Patient accounts that are uncollected, including those placed with collection agencies, are initially charged against the allowance for uncollectible accounts in accordance with collection policies of Goshen Health and, in certain cases, are reclassified to charity care if deemed to otherwise meet financial assistance policies of Goshen Health.

Inventories: Inventories consist primarily of drugs and supplies, are stated at the lower of cost or net realizable value, and are valued using the average cost method.

Assets limited as to use: Assets limited as to use include the following: (i) cash and cash equivalents and designated investment assets, set aside by the Board of Directors for future capital improvements and for other purposes, over which the Board retains control and may, in certain circumstances, use for other purposes; (ii) investments required to be held in escrow under the separation agreement with IUH (see Note 7); and (iii) investments required to be held in escrow under a Medicare ACO agreement. Substantially all assets limited as to use are invested and managed by professional investment managers and are held in custody by financial institutions.

Investments in equity securities with readily determinable fair values and all investments in debt securities are classified as trading securities and are measured at fair value based on quoted market prices. Investments in hedge funds are recorded under the equity method of accounting, based on the fund's financial information. Generally, the net asset value (NAV) of these funds reflects the contributed capital, as well as an allocated share of the underlying limited partnership's realized and unrealized gains and losses.

Accordingly, changes in unrealized gains and losses in the fair value of investments are included in non-operating income (loss) within investment income, net, in the accompanying consolidated statements of operations and changes in net assets. Goshen Health is a limited partner in certain funds that employ hedged investment strategies. These investments are accounted for using the equity method of accounting, based on the fund's financial information.

Investment income or loss (including realized gains and losses on the sale of investments, unrealized gains and losses on trading securities, and changes in the carrying value of hedge funds), is reported as nonoperating income (loss) unless the income is restricted by donor or law. The cost of securities sold is based on the specific-identification method.

Investment securities purchased and sold are reported based on the trade date. Due to the period lag between the trade and settlement date, Goshen Health reports receivables for securities sold but not settled and reports liabilities for securities purchased but not settled. These receivables and payables are settled from within the investment portfolio and are presented on a net basis within assets whose use is limited in the consolidated balance sheets.

Notes to Consolidated Financial Statements
(Dollars in Thousands)

Note 3. Significant Accounting Policies (Continued)

Property and equipment: Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets. Interest cost incurred on borrowed funds during the period of construction and other interest costs related to tax-exempt bonds are capitalized as a component of the cost of constructing the assets. In addition, interest earnings on unexpended borrowed funds related to tax-exempt financings offset capitalized tax-exempt interest. Repairs and maintenance costs are expensed when incurred.

Goshen Health evaluates when events or changes in circumstances have occurred that would indicate that the remaining estimated useful lives of long-lived assets warrant revision or that the remaining balance of such assets may not be recoverable. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset or asset group. If undiscounted cash flows are insufficient to recover the carrying value of the long-lived asset, such asset is written down to its fair value if its carrying value exceeds fair value.

Equity interest in unconsolidated subsidiaries: Goshen Health has also entered into certain limited liability company agreements with third parties that provide health care-related services. Where applicable, these arrangements are accounted for using the equity method of accounting. Overall, equity interest in unconsolidated subsidiaries recorded within other assets on the consolidated balance sheets was \$695 and \$723 as of December 31, 2017 and 2016, respectively. Goshen Health reports its interest in the income of its unconsolidated subsidiaries within other nonoperating income, totaling \$54 and \$155 during the years ended December 31, 2017 and 2016, respectively.

Derivative financial instruments: As part of its debt management program, Goshen Health has entered into certain interest rate swap transactions (fixed-pay swaps). Derivative financial instruments are recognized as either assets or liabilities in the consolidated balance sheets at fair value. During the years ended December 31, 2017 and 2016, these fixed-pay swap agreements did not qualify for hedge accounting, and accordingly, the changes in fair value of those interest rate swap agreements are reported with nonoperating income in the consolidated statements of operations and changes in net assets. Net settlement payments on interest rate swaps are reported in nonoperating income in the consolidated statements of operations and changes in net assets.

Contributions: Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give, including indications of an intention to give, are reported at fair value at the date the gift is received. If the gifts are received with donor stipulations that limit the use of the donated assets, the gifts are reported as either temporarily or permanently restricted. Donor-restricted contributions for which restrictions are met in the same year as received are reported as unrestricted contributions in the accompanying consolidated statements of operations and changes in net assets.

Temporarily restricted net assets: Temporarily restricted net assets are those assets whose use has been limited by donors to a specific time period or purpose. These net assets are generally restricted for building projects, medical supplies and equipment and patient care services. Temporarily restricted net assets at December 31, 2017 include \$1,107 for Goshen Health's building campaign, and other amounts for supplies, equipment and patient care services. Temporarily restricted net assets at December 31, 2016 were generally restricted for medical supplies and equipment and patient care services.

Income taxes: The Internal Revenue Service has determined that Goshen Health and certain affiliated entities are tax-exempt organizations as defined in Section 501(c)(3) of the Internal Revenue Code. Certain subsidiaries of Goshen Health are taxable entities, the tax expense and liabilities of which are not material to the consolidated financial statements.

Notes to Consolidated Financial Statements
(Dollars in Thousands)

Note 3. Significant Accounting Policies (Continued)

Goshen Health and its tax-exempt affiliated entities each file a Form 990 (Return of Organization Exempt from Income Tax) annually. When these returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would ultimately be sustained. Examples of tax positions common to health systems include such matters as the tax-exempt status of each entity, the continued tax-exempt status of bonds, the nature, characterization and taxability of joint venture income, and various positions relating to potential sources of unrelated business taxable income (reported on Form 990T). As of December 31, 2017 and 2016, there are no unrecognized tax benefits resulting from uncertain tax positions.

Forms 990 and 990T filed by Goshen Health and its tax-exempt affiliated entities are subject to examination by the Internal Revenue Service up to three years from the extended due date of each return. Forms 990 and 990T filed by Goshen Health and its tax-exempt affiliated entities are no longer subject to examination for tax year 2014 and prior.

Operating and performance indicators: The activities of Goshen Health are primarily related to providing health care services and, accordingly, expense information by functional classification is not used as a basis for measuring performance. Furthermore, since substantially all resources are derived from providing health care services, similar to that if provided by a business enterprise, the following indicators are considered important in evaluating how well management has discharged its stewardship responsibilities:

Operating indicator (operating income): Includes all unrestricted revenue, gains, donor contributions to offset operating expenses, other support, and expenses directly related to the recurring and ongoing health care operations during the reporting period. The operating indicator excludes investment income or losses on assets limited as to use (including changes in unrealized gains and losses on trading securities), changes in the fair value of interest rate swaps, gains and losses related to equity interests in unconsolidated subsidiaries, and other gains and losses deemed by management not to be directly related to providing health care services.

Performance indicator (excess of revenues over expenses): Includes operating income and nonoperating income. The performance indicator excludes certain changes in contributions for capital expenditures and net assets released from restricted funds.

New accounting pronouncements not yet adopted: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The guidance will be effective for Goshen Health's December 31, 2019 consolidated financial statements. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that period. Goshen Health has not yet selected a transition method and is currently evaluating the effect of the new standard on the consolidated financial statements.

Notes to Consolidated Financial Statements
(Dollars in Thousands)

Note 3. Significant Accounting Policies (Continued)

In February 2016, the FASB issued ASU 2016-02, *Leases—(Topic 842)*, which supersedes the leasing guidance in *Topic 840, Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of operations. The new standard is effective for Goshen Health's December 31, 2020 consolidated financial statements. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. Goshen Health is currently evaluating the effect of the new standard on the consolidated financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Key elements of the ASU include a reduction in the number of net asset categories from three to two, conforming requirements on releases of capital restrictions, several new requirements related to expense presentation and disclosure (including investment expenses), and new required disclosures communicating information useful in assessing liquidity. The ASU will be effective for Goshen Health's December 31, 2018 consolidated financial statements. Early adoption is permitted. Retrospective application is required for many provisions of this guidance. Goshen Health is currently evaluating the effect of the new standard on the consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 provides guidance on how certain cash receipts and cash payments should be presented and classified in the statement of cash flows with the objective of reducing existing diversity in practice with respect to these items. The new standard will be effective for Goshen Health's December 31, 2019 consolidated financial statements. Early adoption is permitted. ASU 2016-15 requires a retrospective transition method. However, if it is impracticable to apply the amendments retrospectively for some of the issues, the amendments for those issues would be applied prospectively as of the earliest date practicable. Goshen Health is currently evaluating the effect the new standard on the consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. ASU 2016-18 applies to all entities that have restricted cash or restricted cash equivalents and are required to present a statement of cash flows. Its provisions require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The new standard will be effective for Goshen Health's December 31, 2019 consolidated financial statements. Early adoption is permitted. ASU 2016-18 requires a retrospective transition method. Goshen Health is currently evaluating the effect of the new standard on the consolidated financial statements.

Subsequent events: Management has evaluated subsequent events and transactions through March 21, 2018, the date that these consolidated financial statements were issued. During this period, there were no subsequent events requiring recognition or disclosure in the consolidated financial statements.

Reclassifications: Certain prior-year amounts have been reclassified to conform to the current-year presentation, with no effect on operating income, excess of revenues over expenses or net assets.

Goshen Health System, Inc. and Subsidiaries
d/b/a Goshen Health

Notes to Consolidated Financial Statements
(Dollars in Thousands)

Note 4. Patient Service Revenue and Accounts Receivable

Patient service revenue, net of contractual allowances and discounts and before the provision for uncollectible accounts, was received from the following major payor sources during the years ended December 31, 2017 and 2016:

| | 2017 | 2016 |
|---------------------------------|-------------|-------------|
| Managed care programs | 58% | 60% |
| Medicare and Medicare Advantage | 24 | 21 |
| Medicaid | 7 | 7 |
| Self-pay patients | 6 | 7 |
| Other third-party payors | 5 | 5 |
| | <u>100%</u> | <u>100%</u> |

A single managed care provider represented approximately 31% and 30% of net patient service revenue for the years ended December 31, 2017 and 2016, respectively.

During 2012, the Indiana General Assembly approved a hospital assessment fee program (Hospital Assessment Fee (HAF)). Under this program, the Office of Medicaid Policy and Planning collects a fee from eligible hospitals. The fee is used in part to increase reimbursement to eligible hospitals for services provided in both fee-for-service and managed care programs, as the state's share of Medicaid Disproportionate Share (DSH) payments. The program was effective retroactively from July 1, 2011, and continued through June 30, 2013. Subsequently, the Indiana General Assembly and the Centers for Medicare and Medicaid Services (CMS) approved the extension of the HAF through June 30, 2017. Effective July 1, 2017, the HAF was extended through June 30, 2019.

For the years ended December 31, 2017 and 2016, increased reimbursement related to the HAF program was recorded within net patient service revenue on the consolidated statements of operations and changes in net assets. During the years ended December 31, 2017 and 2016, an assessment fee was recognized of \$6,577 and \$5,131, respectively, which is reported as hospital assessment fee expense on the consolidated statements of operations and changes in net assets.

Laws and regulations governing Medicare, Medicaid, and other governmental programs are extremely complex, subject to interpretations, and sometimes provide for retroactive adjustments. As a result, there is a reasonable possibility that recorded estimated settlements could change by a material amount in the near term. Goshen Health believes it is in compliance with applicable laws and regulations governing Medicare, Medicaid, and other governmental programs and that adequate provisions have been recorded for any adjustments that may result from final settlements. However, any adjustments to the currently estimated settlements will be recorded in future periods.

For the delivery of health care services Goshen Health does not require collateral or other security from its patients, substantially all of whom are residents of the state of Indiana. However, assignment of benefit payments payable under patients' health insurance programs and plans (e.g. Medicare, Medicaid, health maintenance organizations, and commercial insurance policies) is routinely obtained, consistent with industry practice.

**Goshen Health System, Inc. and Subsidiaries
d/b/a Goshen Health**

**Notes to Consolidated Financial Statements
(Dollars in Thousands)**

Note 4. Patient Service Revenue and Accounts Receivable (Continued)

The composition of net patient accounts receivable as of December 31, 2017 and 2016, is as follows:

| | 2017 | 2016 |
|---------------------------------|------|------|
| Managed care programs | 56% | 55% |
| Medicare and Medicare Advantage | 19 | 19 |
| Medicaid | 12 | 7 |
| Self-pay patients | 7 | 11 |
| Other third-party payors | 6 | 8 |
| | 100% | 100% |

A single managed care payor represented approximately 28% and 26% of net patient accounts receivables at December 31, 2017 and 2016, respectively.

The allowance for uncollectible accounts for self-pay patients, including self-pay discounts, and charity care, was 75% and 81% of self-pay patient accounts receivable as of December 31, 2017 and 2016, respectively.

Note 5. Assets Limited as to Use

As of December 31, 2017 and 2016, assets limited as to use consisted of the following:

| | 2017 | 2016 |
|---|------------|------------|
| Board-designated investments | \$ 199,368 | \$ 183,070 |
| Investments held in escrow under Separation Agreement with IUH (See Note 7) | 19,513 | 18,000 |
| Investments held in escrow under Medicare ACO agreement | 662 | - |
| | 219,543 | 201,070 |
| Less current portion | 2,000 | - |
| Noncurrent portion | \$ 217,543 | \$ 201,070 |

Assets limited as to use are invested in accordance with Board approved policies. The estimated fair value of the assets limited as to use is determined using market information and other appropriate valuation methodologies. The methods and assumptions used to estimate the fair value of assets limited as to use are as follows: (i) cash and cash equivalents: the carrying amounts reported in the consolidated balance sheets approximate fair value; (ii) marketable securities: the fair values are based on quoted market prices or, if quoted market prices are not available, quoted market prices of comparable instruments and other observable inputs; and (iii) other investments, including alternative investments (such as hedge funds): accounted for using the equity method of accounting based upon the net asset values as determined by third-party administrators of each fund in consultation with and approval of the fund investment managers.

Goshen Health is a limited partner in funds that employ hedged investment strategies and funds that employ investment strategies that require long holding periods to create value, both of which are designed to reduce overall portfolio volatility. In the case of hedged strategies, redemptions generally may be made quarterly with written notice required 15 days prior to the end of the applicable quarter; however, some funds employ aggregate redemption caps that restrict redemptions. These investments are accounted for using the equity method of accounting, based on the fund's financial information.

Goshen Health System, Inc. and Subsidiaries
d/b/a Goshen Health

Notes to Consolidated Financial Statements
(Dollars in Thousands)

Note 5. Assets Limited as to Use (Continued)

Alternative investments include certain other risks that may not exist with other investments that are more widely traded. These include reliance on the skill of the fund managers, who often employ complex strategies utilizing various financial instruments, including futures contracts, foreign currency contracts, structured notes, and interest rate, total return, and credit default swaps. Additionally, alternative investments may provide limited information on a fund's underlying assets and have restrictive liquidity provisions. Management believes that Goshen Health, in consultation with its investment consultant, has the capacity to analyze and interpret the risks associated with alternative investments and, with this understanding, has determined that these investments represent a prudent approach for use in its portfolio management.

As of December 31, 2017 and 2016, assets limited as to use consisted of the following:

| | 2017 | 2016 |
|---------------------------|-------------------|-------------------|
| Cash and cash equivalents | \$ 5,714 | \$ 18,880 |
| Marketable securities: | | |
| Fixed income securities | 19,624 | 16,231 |
| Structured notes | 5,000 | 4,018 |
| Global equities | 39,997 | 18,946 |
| Mutual funds | 148,993 | 142,772 |
| | <u>219,328</u> | <u>200,847</u> |
| Alternative investments | 215 | 223 |
| | <u>\$ 219,543</u> | <u>\$ 201,070</u> |

The composition and presentation of investment income reported in the accompanying consolidated statements of operations and changes in net assets for the years ended December 31, 2017 and 2016, are as follows:

| | 2017 | 2016 |
|--|------------------|------------------|
| Interest and dividend income | \$ 5,178 | \$ 4,483 |
| Investment management and administration fees | (717) | (649) |
| Realized gains (losses) on sales of investments, net | 7,604 | (2,887) |
| Unrealized gains on investments | 15,762 | 11,137 |
| | <u>\$ 27,827</u> | <u>\$ 12,084</u> |

Note 6. Property and Equipment

The cost of property and equipment in service as of December 31, 2017 and 2016, is summarized as follows:

| | 2017 | 2016 |
|----------------------------|-------------------|-------------------|
| Land and improvements | \$ 9,651 | \$ 8,435 |
| Buildings and improvements | 105,252 | 108,725 |
| Equipment | 123,280 | 137,495 |
| | <u>\$ 238,183</u> | <u>\$ 254,655</u> |

**Goshen Health System, Inc. and Subsidiaries
d/b/a Goshen Health**

**Notes to Consolidated Financial Statements
(Dollars in Thousands)**

Note 6. Property and Equipment (Continued)

Property and equipment is depreciated on a straight-line basis beginning in the month when placed in service. Useful lives of each category of assets are based on the estimated useful time frame that the particular assets are expected to be in service, generally in accordance with guidelines established by the American Hospital Association. Asset lives range as follows:

| | <u>Years</u> |
|--|--------------|
| Land improvements | 20-30 |
| Buildings and improvements | 15-40 |
| Equipment, including software developed for internal use | 3-10 |

Construction-in-progress for assets currently under development is anticipated to extend through 2018 and includes commitments for the construction, refurbishment, and replacement of facilities and equipment. A summary of the construction-in-progress as of December 31, 2017 and 2016, is as follows:

| | <u>2017</u> | <u>2016</u> |
|------------------------|-----------------|-----------------|
| IT projects | \$ 2,658 | \$ 2,571 |
| Medical equipment | - | 1,714 |
| Building improvements | 304 | 200 |
| MOB buildings | 258 | 91 |
| Miscellaneous projects | 1,460 | 2,793 |
| | <u>\$ 4,680</u> | <u>\$ 7,369</u> |

Firm commitments for construction-in-progress totaled \$14,574 at December 31, 2017.

**Goshen Health System, Inc. and Subsidiaries
d/b/a Goshen Health**

**Notes to Consolidated Financial Statements
(Dollars in Thousands)**

Note 7. Long-Term Debt

Long-term debt at December 31, 2017 and 2016, consists of the following:

| | 2017 | 2016 |
|---|-----------|-----------|
| Loans from Indiana University Health: | | |
| Note payable to IU Health under Separation Agreement payable in annual installments through 2026 | \$ 15,976 | \$ 15,976 |
| Loans from Key Bank: | | |
| Mortgage obligations (interest rates ranging from 1.66% to 1.69%) | 1,291 | 1,469 |
| Line of credit, including interest at LIBOR plus 1.5% (3.55% and 3.17% at December 31, 2017 and 2016, respectively) | 28,086 | 28,086 |
| | 45,353 | 45,531 |
| Less current portion | (1,788) | (183) |
| | \$ 43,565 | \$ 45,348 |

From November 1, 2000 through December 31, 2016, Goshen Health System, Inc. and Goshen Hospital Association, Inc. were designated as Obligated Group Affiliates pursuant to the terms of the Indiana University Health, Inc. (IUH) Master Trust Indenture. As part of the Separation Agreement executed in December 2016 with IUH, Goshen Health repaid all of the then-existing loans from IUH and, effective December 31, 2016, Goshen Health System, Inc. and Goshen Hospital Association, Inc. were deemed to have been withdrawn as Obligated Group Affiliates.

The IUH loans were repaid with amounts drawn on a \$35,000 unsecured line of credit with Key Bank, which requires monthly interest payments until it expires December 29, 2019, at which time any outstanding draws on the line of credit must be repaid in full. The line of credit agreement contains various covenants, including financial covenants that require Goshen Health to maintain a minimum debt service coverage ratio and minimum days cash on hand.

As a condition of the Separation Agreement with IUH, Goshen Health agreed to pay IUH a separation payment of \$20,000. Of this amount, \$2,000 was paid in December 2016, with required annual payments of \$2,000 (principal and imputed interest) beginning in January 2018. Goshen Health has recognized a liability of \$15,976 at December 31, 2016 for the present value of these future annual payments, discounted at 2.45%. The Separation Agreement includes certain restrictions on IUH's activities within Goshen Health's service area through December 31, 2026. Violations of these restrictions that remain uncured for more than ninety days will result in termination of Goshen Health's obligation to repay any remaining amounts due to IUH under the Separation Agreement.

The Separation Agreement required Goshen Health to place into escrow amounts sufficient to fund these future payments.

In June 2014, Goshen Health modified the terms of a mortgage obligation with Key Bank, extending the due date of a balloon payment from June 2014 to June 2019.

Goshen Health System, Inc. and Subsidiaries
d/b/a Goshen Health

Notes to Consolidated Financial Statements
(Dollars in Thousands)

Note 7. Long-Term Debt (Continued)

The scheduled maturities of long-term debt as of December 31, 2017 are as follows:

| | |
|--------------------------|-------------------------|
| Year Ending December 31: | |
| 2018 | \$ 1,788 |
| 2019 | 31,184 |
| 2020 | 2,000 |
| 2021 | 2,000 |
| 2022 | 2,000 |
| Thereafter | <u>8,000</u> |
| | 46,972 |
| Unamortized discount | <u>(1,619)</u> |
| | <u><u>\$ 45,353</u></u> |

Total interest paid on long-term debt for the years ended December 31, 2017 and 2016, was \$667 and \$1,187, respectively. No interest was capitalized in either 2017 or 2016.

Note 8. Fair Value Measurement

The accounting guidance for the application of fair value provides, among other matters, for the following: defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value; establishes a three-level hierarchy for fair value measurements based upon the observability of inputs to the valuation of an asset or liability as of the measurement date; requires consideration of non-performance risk when valuing liabilities; and expands disclosures about instruments measured at fair value. The three level hierarchy is based upon the nature of valuation techniques and whether such techniques are based upon observable or unobservable inputs, as defined.

Observable inputs are intended to reflect market data obtained from independent sources, while unobservable inputs may reflect market assumptions made by management or measurements made by financial specialists generally associated with the financial asset or liability. These two types of inputs create the following fair value hierarchy:

- Level 1** Quoted prices (unadjusted) in active markets for identical assets or liabilities as of the reporting date.
- Level 2** Pricing inputs other than quoted prices included in Level 1 that are either directly observable or that can be derived or supported from observable data as of the reporting date.
- Level 3** Pricing inputs include those that are significant to the fair value of the financial asset or financial liability and are not observable from objective sources. In evaluating the significance of inputs, management generally classifies assets or liabilities as Level 3 when their fair value is determined using unobservable inputs that individually, or in the aggregate, represent more than 10% of the fair value of the assets or liabilities. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

**Goshen Health System, Inc. and Subsidiaries
d/b/a Goshen Health**

**Notes to Consolidated Financial Statements
(Dollars in Thousands)**

Note 8. Fair Value Measurement (Continued)

The fair value of financial assets and liabilities measured at fair value on a recurring basis was determined using the following inputs at December 31, 2017 and 2016:

| | December 31, 2017 | | | |
|---------------------------|-------------------|------------------|-------------|-------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Cash and cash equivalents | \$ 5,714 | \$ - | \$ - | \$ 5,714 |
| Marketable securities: | | | | |
| Fixed income securities | - | 19,624 | - | 19,624 |
| Mutual funds | 148,993 | - | - | 148,993 |
| Global equities | 39,997 | - | - | 39,997 |
| Structured notes | - | 5,000 | - | 5,000 |
| | <u>\$ 194,704</u> | <u>\$ 24,624</u> | <u>\$ -</u> | <u>\$ 219,328</u> |
| Liabilities | | | | |
| Interest rate swaps | \$ - | \$ 3 | \$ - | \$ 3 |
| | | | | |
| | December 31, 2016 | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Cash and cash equivalents | \$ 18,880 | \$ - | \$ - | \$ 18,880 |
| Marketable securities: | | | | |
| Fixed income securities | - | 16,231 | - | 16,231 |
| Mutual funds | 142,772 | - | - | 142,772 |
| Global equities | 18,946 | - | - | 18,946 |
| Structured notes | - | 4,018 | - | 4,018 |
| | <u>\$ 180,598</u> | <u>\$ 20,249</u> | <u>\$ -</u> | <u>\$ 200,847</u> |
| Liabilities | | | | |
| Interest rate swaps | \$ - | \$ 87 | \$ - | \$ 87 |

The fair value of cash and cash equivalents, which consist mainly of funds invested in money market funds, is based on quoted market prices and classified as Level 1. The fair value of Level 1 trading securities is based on quoted market prices from an active exchange. The fair value of Level 2 trading securities is based on third-party market quotes in an inactive market or similar securities in an active market and other observable inputs. The fair value of interest rate swaps is based upon forward interest rate curves, as adjusted for credit valuation.

Cash and cash equivalents not held in money market funds aggregated \$15,692 and \$3,154 as of December 31, 2017 and 2016, respectively, and are not included in the tables. Goshen Health's \$215 and \$223 of alternative investments as of December 31, 2017 and 2016, respectively, are not included in the tables because they are accounted for using the equity method of accounting (see Note 5).

Transfers are generally recorded at the end of the reporting period. There were no material transfers between Level 1 and Level 2 during the years ended December 31, 2017 and 2016.

**Goshen Health System, Inc. and Subsidiaries
d/b/a Goshen Health**

**Notes to Consolidated Financial Statements
(Dollars in Thousands)**

Note 9. Commitments and Contingencies

Goshen Health is from time to time subject to various legal proceedings and claims arising in the ordinary course of business. Goshen Health's management does not expect that the outcome in any of its currently ongoing legal proceedings or the outcome of any other claims, individually or collectively, will have a material adverse effect on Goshen Health's financial condition, results of operations, or cash flow.

Leases: Buildings, medical and office equipment are leased under non-cancelable operating leases. Future minimum lease payments as of December 31, 2017, are as follows:

| | | |
|--------------------------|----|-------|
| Year Ending December 31: | | |
| 2018 | \$ | 2,477 |
| 2019 | | 2,253 |
| 2020 | | 1,716 |
| 2021 | | 874 |
| 2022 | | 166 |

Rent and lease expense, included in supplies, drugs, purchased services, and other expense in the accompanying consolidated statements of operations and changes in net assets, amounted to \$2,507 and \$2,662 for the years ended December 31, 2017 and 2016, respectively.

Note 10. Malpractice Insurance

Goshen Health's medical malpractice coverage is provided through a pooled risk sharing arrangement with the Suburban Health Organization Risk Retention Group, LLC. The program of medical malpractice coverage considers limitations in claims and damages prescribed by the Indiana Medical Malpractice Act (Act), which limits the amount of individual claims to \$1,250 and annual aggregate claims of \$7,500, of which up to \$1,000 would be paid by the State of Indiana Patient Compensation Fund (Fund) and \$250 by Goshen Health for each occurrence of malpractice. The Act also requires that health care providers meet certain requirements, including making funding payments to the Fund and maintaining certain insurance levels. Goshen Health has met these requirements and is a qualified provider under the Act, retaining risk of \$250 per occurrence and \$7,500 in the annual aggregate.

Note 11. Retirement Plans

Retirement benefits are provided to substantially all Colleagues of Goshen Health through defined-contribution plans. Contributions, which are included in salaries, wages and benefits expense, to the defined-contribution plans are based on compensation of qualified Colleagues and amounted to \$6,922 and \$6,242 for the years ended December 31, 2017 and 2016, respectively (net of forfeitures of \$153 and \$129 in 2017 and 2016, respectively).

Notes to Consolidated Financial Statements
(Dollars in Thousands)

Note 12. Health Care Legislation and Regulation

Under Indiana law (IC 12-15-16 (1-3)), health care providers qualifying as State of Indiana Medicaid Acute Disproportionate Share and Medicaid Safety Net Hospitals (DSH providers) are eligible to receive Indiana Medicaid Disproportionate Share (state DSH) payments. The amount of these additional state DSH funds is dependent on regulatory approval by agencies of the federal and state governments and is determined by the level, extent, and cost of uncompensated care (as defined) and various other factors. State DSH payments are paid according to the fiscal year of the state, which ends on June 30 of each year, and are based on the cost of uncompensated care provided by the DSH providers during their respective fiscal year ended during the state fiscal year.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, participation requirements, reimbursement for patient services, Medicare and Medicaid fraud and abuse, and security, privacy, and standards of health information. Government activity has continued with respect to investigations and allegations concerning possible violations so fraud and abuse statutes and non-compliance with regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, significant repayments for patient services previously billed, and disruptions or delays in processing administrative transactions, including the adjudication of claims and payment. In the opinion of management, there are no known regulatory inquiries that are expected to have a material adverse effect on the financial statements of Goshen Health; however, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

The ACA and its associated legislation are designed, in part, to expand access to coverage to substantively all U.S. citizens through a combination of states' expansion of their Medicaid programs and the health insurance marketplace. For Indiana, CMS approved the Health Indiana Plan (HIP) 2.0, which was Indiana's response to expanding its Medicaid program. Changes to existing Medicare and Medicaid coverage and payments have also occurred as a result of this legislation. A body of regulations is generally required for legislative acts such as the ACA, which are often adopted over a period of years.