

Decatur County Memorial Hospital
A Component Unit of Decatur County, Indiana
Independent Auditor's Report and Financial Statements
December 31, 2020 and 2019

Decatur County Memorial Hospital
A Component Unit of Decatur County, Indiana
December 31, 2020 and 2019

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Independent Auditor's Report

Board of Trustees
Decatur County Memorial Hospital
Greensburg, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of Decatur County Memorial Hospital (Hospital), a component unit of Decatur County, Indiana, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Decatur County Memorial Hospital, as of December 31, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hospital 's basic financial statements. The combining schedule information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining schedule information as listed in the table of contents 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. Such information has been subjected to the auditing procedures applied in the audits 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 combining schedule information 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 also have issued our report dated June 25, 2021, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital 's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital 's internal control over financial reporting and compliance.

BKD, LLP

Indianapolis, Indiana
June 25, 2021

Decatur County Memorial Hospital

A Component Unit of Decatur County, Indiana

Management's Discussion and Analysis

December 31, 2020 and 2019

Introduction

This management's discussion and analysis of the financial performance of Decatur County Memorial Hospital (Hospital) provides an overview of the Hospital's financial activities for the years ended December 31, 2020 and 2019. It should be read in conjunction with the accompanying financial statements of the Hospital.

Financial Highlights

- Cash and investments increased in 2020 by \$25,088,470 or 76.9% compared to an increase of \$1,884,887 or 6.1% in 2019.
- The Hospital's net position increased in 2020 by \$15,245,652 or 23.3% compared to an increase of \$5,989,475 or 10.1% in 2019. The increase in 2019 is a combination of the increase in net position of \$5,933,284 as shown in Table 2 and a beginning net position adjustment for adoption of a new accounting principle of \$56,191, which was effective January 1, 2019.
- The Hospital reported an operating loss of \$(6,696,757) in 2020 compared to operating income of \$1,718,466 in 2019. The operating results in 2020 decreased by \$8,415,223, while in 2019, the operating results decreased by \$1,275,848.
- Net nonoperating income for 2020 was \$22,081,541 compared to net nonoperating income of \$4,293,412 for 2019. This was an increase of \$17,788,129 or 414.3%. In 2019, net nonoperating revenues increased by \$4,722,153 or 1,101.4%.

Using This Annual Report

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

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

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

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

The Statement of Cash Flows

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

The Hospital's Net Position

The Hospital's net position is equal to its assets, less liabilities reported in the balance sheets. The Hospital's net position increased by \$15,245,652 or 23.3% in 2020 over 2019 compared to an increase in net position of \$5,989,475 or 10.1% in 2019 over 2018, as shown in Table 1.

Table 1: Assets, Liabilities and Net Position

	2020	2019	2018
Assets			
Patient accounts receivable, net	\$ 13,396,350	\$ 12,129,641	\$ 10,100,576
Other current assets	65,554,328	37,168,896	32,369,790
Capital assets, net	37,224,804	33,550,026	33,646,867
Other noncurrent assets	2,191,040	2,278,302	3,256,070
	<u>\$ 118,366,522</u>	<u>\$ 85,126,865</u>	<u>\$ 79,373,303</u>
Liabilities			
Current liabilities excluding current maturities of long-term debt	\$ 22,245,147	\$ 14,790,939	\$ 12,927,044
Long-term debt	10,542,005	4,959,867	7,059,675
Other noncurrent liabilities	4,957,659	-	-
Total liabilities	<u>37,744,811</u>	<u>19,750,806</u>	<u>19,986,719</u>
Net Position			
Net investment in capital assets	32,120,187	27,541,355	26,274,267
Restricted	600,480	677,250	1,490,802
Unrestricted	47,901,044	37,157,454	31,621,515
Total net position	<u>80,621,711</u>	<u>65,376,059</u>	<u>59,386,584</u>
Total liabilities and net position	<u>\$ 118,366,522</u>	<u>\$ 85,126,865</u>	<u>\$ 79,373,303</u>

The increase in the Hospital's assets during 2020 was primarily a result of increases in cash and investments of \$25,088,470 or 76.9%. This increase was attributable to funds received from the U.S. Department of Health and Human Services Provider Relief Fund, proceeds from the Hospital's Paycheck Protection Program (PPP) loan payable and Medicare Advance Payments. The cash received for the Paycheck Protection Program loan payable and Medicare Advance Payments are recorded as liabilities and are the contributing factor to the increase in total liabilities of \$17,994,005 or 91.1%.

The increase in the Hospital's assets during 2019 was primarily a result of increases in patient accounts receivable and short-term investments. The increases in patient accounts receivable is primarily driven by the Hospital's skilled nursing facilities with the addition of two facilities during 2019. Total patient accounts receivable increased \$2,029,065 or 20.1% from 2018. The increase in short-term investments of \$3,746,228 or 22.2% was the result of overall market conditions during 2019.

The decrease in total liabilities of \$235,913 or 1.2% in 2019 was driven by the Hospital paying off long-term debt balances during 2019, offset by increases in accounts payable and accrued expenses.

Operating Results and Changes in the Hospital's Net Position

In 2020, the Hospital's total net position increased by \$15,245,652 or 23.3%. This increase is made up of several different components and represents an increase of 157.0% compared with the increase in net position for 2019 of \$5,933,284. The increase in net position for 2018 was \$2,565,573.

Table 2: Operating Results and Changes in Net Position

	2020	2019	2018
Operating Revenue			
Net patient service revenue	\$ 96,358,449	\$ 94,719,387	\$ 81,979,482
Other operating revenue	15,912,524	12,796,136	10,722,966
Total operating revenue	<u>112,270,973</u>	<u>107,515,523</u>	<u>92,702,448</u>
Operating Expenses			
Salaries, wages, contract labor and employee benefits	59,593,493	55,578,428	46,384,569
Purchased services and professional fees	22,675,259	16,622,313	14,419,554
Depreciation and amortization	3,857,639	3,847,803	3,869,463
Other operating expenses	32,841,339	29,748,513	25,034,548
Total operating expenses	<u>118,967,730</u>	<u>105,797,057</u>	<u>89,708,134</u>
Operating Income (Loss)	<u>(6,696,757)</u>	<u>1,718,466</u>	<u>2,994,314</u>
Nonoperating Revenues (Expenses)			
Investment return	3,921,333	3,833,788	(844,567)
Interest expense	(127,687)	(185,657)	(266,086)
Noncapital grants and contributions	17,670,540	246,726	304,672
Noncapital appropriations - Decatur County	121,000	132,000	132,000
Other	496,355	266,555	245,240
Total nonoperating revenues (expenses)	<u>22,081,541</u>	<u>4,293,412</u>	<u>(428,741)</u>
Excess of Revenues Over Expenses	15,384,784	6,011,878	2,565,573
Other Changes in Net Position	<u>(139,132)</u>	<u>(78,594)</u>	<u>-</u>
Increase in Net Position	<u>\$ 15,245,652</u>	<u>\$ 5,933,284</u>	<u>\$ 2,565,573</u>

Operating Income (Loss)

The first component of the overall change in the Hospital's net position is its operating income or loss—generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services.

Operating loss was \$(6,696,757) for 2020 compared to an operating income of \$1,718,466 for 2019, which equates to a decrease of \$8,415,223 or 489.7%. The operating income for 2019 decreased by \$1,275,848 or 42.6% as compared to 2018. The primary components of the change in operating income in 2020 are:

- Net patient service revenue was \$96,358,449 for 2020 compared to \$94,719,387 in 2019, which is an increase of \$1,639,062 or 1.7%. Net patient service revenue in 2019 represented an increase of \$12,739,905 or 15.5% compared to 2018.
- Salaries, wages, contract labor and employee benefits for the Hospital were \$59,593,493 for 2020 compared to \$55,578,428 for 2019, which results in an increase of \$4,015,065 or 7.2%. In 2019, salaries, wages and benefits increased by \$9,193,859 or 19.8% compared to 2018.
- Other operating revenues were \$15,912,524 for 2020 compared to \$12,796,136 in 2019, which is an increase of \$3,116,388 or 24.4%.

The increase in net patient service revenue in 2020 was largely driven by changes in Hospital and nursing home volumes along with changes in payment rates from specific payors as a result of the ongoing COVID-19 pandemic. The pandemic increased costs for Hospital staff and supplies and decreased non-essential medical procedures. These items contributed to a decrease in net patient service revenue while increases in salaries and wages and employee benefits and purchased services and professional fees were incurred to prevent and prepare for COVID-19.

The increase in net patient service revenue in 2019 was the result of two additional long-term care facilities and changes in Hospital volumes. In 2019, patient service revenue from long-term care operations increased \$9,260,515 or 11.3% compared to 2018. The remaining increase in 2019 of \$3,479,390 was attributed to Hospital operations.

Of the \$9,193,859 increase in salaries, wages, contract labor and employee benefits in 2019, \$6,621,829 was attributed to growth in long-term care operations.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of investment income, noncapital grants and interest expense. In 2020, nonoperating revenues and expenses includes revenue recognized from the Provider Relief Fund. These distributions from the Provider Relief Fund are not subject to repayment, provided the Hospital is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by the Department of Health and Human Services. Amounts recognized as nonoperating revenues related to Provider Relief Funds and other stimulus and grant revenues totaled \$17,512,990 in 2020. Interest expense and noncapital grants and contributions remained relatively constant in 2020 as compared to 2019. Investment return increased in 2020 by \$87,545 as a result of stable market conditions. Investment return increased in 2019 by \$4,678,355 as a result of improving market conditions.

The Hospital's Cash Flows

The Hospital's cash flows fluctuated from the previous year with an increase in net cash provided in operating cash receipts and an increase in net cash used in capital and related financing activities. Increases in cash balances provided by operating activities were attributed to declines in operating cash flows which were offset by Medicare advance payments received. Cash provided by noncapital financing activities increases as a result of Provider Relief Fund distributions and PPP proceeds.

Capital Asset and Debt Administration

Capital Assets

At the end of 2020, the Hospital had \$37,224,804 invested in capital assets, net of accumulated depreciation, compared to \$33,550,026 at the end of 2019, as detailed in Note 5 to the financial statements. Current year additions increased \$3,706,966 compared to 2019.

Debt

At December 31, 2020, the Hospital had \$4,417,605 in revenue bonds, notes payable and capital lease obligations outstanding compared to \$4,959,867 at December 31, 2019. The Hospital also had a PPP loan payable totaling \$6,124,400 at December 31, 2020. Borrowing and payment activity during the year are outlined in Note 9 to the financial statements.

Other Economic Factors

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

Additionally, uncertainty and business disruption surrounding the outbreak of COVID-19 will impact the operations of the Hospital. The economic impact, contingent on the overall impact of the outbreak, may negatively impact the Hospital's payor and service mix and overall operating expenses.

Contacting the Hospital's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Hospital's Administration by telephoning (812) 663-4331.

Decatur County Memorial Hospital
A Component Unit of Decatur County, Indiana
Balance Sheets
December 31, 2020 and 2019

Assets

	2020	2019
Current Assets		
Cash and cash equivalents	\$ 23,993,828	\$ 9,742,209
Short-term investments	31,511,676	20,587,563
Patient accounts receivable, net of allowance; 2020 - \$5,303,638; 2019 - \$5,380,020	13,396,350	12,129,641
Supplies	1,518,195	1,488,068
Estimated third-party settlements	4,543,753	2,257,817
Prepaid expenses and other assets	3,986,876	3,093,239
Total current assets	78,950,678	49,298,537
Noncurrent Cash and Investments		
Internally designated for capital improvements	1,704,265	1,704,265
Restricted by contributors and grantors	486,775	574,037
Total noncurrent cash and investments	2,191,040	2,278,302
Capital Assets, net	37,224,804	33,550,026
Total assets	\$ 118,366,522	\$ 85,126,865

Liabilities and Net Position

Current Liabilities		
Current maturities of long-term debt	\$ 6,680,671	\$ 540,715
Accounts payable and accrued expenses	17,313,203	14,505,054
Estimated third-party settlements	420,334	285,885
Unearned grant revenue	1,600,000	-
Current portion of Medicare advance payments	2,911,610	-
Total current liabilities	28,925,818	15,331,654
Noncurrent Liabilities		
Long-term debt	3,861,334	4,419,152
Other accrued liabilities	611,845	-
Long-term portion of Medicare advance payments	4,345,814	-
Total noncurrent liabilities	8,818,993	4,419,152
Total liabilities	37,744,811	19,750,806
Net Position		
Net investment in capital assets	32,120,187	27,541,355
Restricted:		
Expendable for capital acquisitions	230,573	229,323
Expendable for specific operating activities	256,202	344,714
Other	113,705	103,213
Unrestricted	47,901,044	37,157,454
Total net position	80,621,711	65,376,059
Total liabilities and net position	\$ 118,366,522	\$ 85,126,865

Decatur County Memorial Hospital
A Component Unit of Decatur County, Indiana
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2020 and 2019

	2020	2019
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2020 - \$6,525,858; 2019 - \$9,123,069	\$ 96,358,449	\$ 94,719,387
Other	15,912,524	12,796,136
Total operating revenues	112,270,973	107,515,523
Operating Expenses		
Salaries, wages and contract labor	50,083,970	48,956,285
Employee benefits	9,509,523	6,622,143
Purchased services and professional fees	22,675,259	16,622,313
Medical supplies, drugs and other supplies	17,524,515	13,813,301
Utilities	1,787,753	1,533,361
Repairs and maintenance	2,232,734	2,550,912
Lease and rentals	3,266,456	3,812,334
Insurance	1,243,021	1,265,120
Depreciation and amortization	3,857,639	3,847,803
Other	4,457,908	4,286,044
Provider hospital assessment fee	2,328,952	2,487,441
Total operating expenses	118,967,730	105,797,057
Operating Income (Loss)	(6,696,757)	1,718,466
Nonoperating Revenues (Expenses)		
Investment return	3,921,333	3,833,788
Interest expense	(127,687)	(185,657)
Noncapital grants and contributions	17,670,540	246,726
Noncapital appropriations - Decatur County	121,000	132,000
Other	496,355	266,555
Total nonoperating revenues (expenses)	22,081,541	4,293,412
Excess of Revenues Over Expenses	15,384,784	6,011,878
Other Changes in Net Position	(139,132)	(78,594)
Increase in Net Position	15,245,652	5,933,284
Net Position, Beginning of Year	65,376,059	59,442,775
Net Position, End of Year	\$ 80,621,711	\$ 65,376,059

Decatur County Memorial Hospital
A Component Unit of Decatur County, Indiana
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Operating Activities		
Receipts from and on behalf of patients	\$ 104,723,768	\$ 93,467,469
Payments to suppliers and contractors	(51,145,013)	(43,109,635)
Payments to employees and contract labor	(58,413,988)	(55,622,486)
Other receipts, net	8,693,365	8,072,900
Net cash provided by operating activities	3,858,132	2,808,248
Noncapital Financing Activities		
Noncapital grants and contributions	19,270,540	246,726
Proceeds from Paycheck Protection Program loan payable	6,124,400	-
Noncapital appropriations - Decatur County	121,000	132,000
Other	(139,132)	(78,594)
Net cash provided by noncapital financing activities	25,376,808	300,132
Capital and Related Financing Activities		
Acquisition and construction of capital assets	(7,894,209)	(3,089,572)
Principal paid on long-term debt	(522,848)	(2,080,075)
Principal paid on capital leases	(19,414)	(18,364)
Interest paid on long-term debt and capital leases	(127,687)	(184,429)
Net cash used in capital and related financing activities	(8,564,158)	(5,372,440)
Investing Activities		
Interest and dividends on investments	560,941	745,553
Purchase of investments	(7,682,733)	(12,768,142)
Proceeds from disposition of investments	84,482	12,703,338
Other investing activities	496,355	266,555
Net cash (used in) provided by investing activities	(6,540,955)	947,304
Increase (Decrease) in Cash and Cash Equivalents	14,129,827	(1,316,756)
Cash and Cash Equivalents, Beginning of Year	9,864,001	11,180,757
Cash and Cash Equivalents, End of Year	\$ 23,993,828	\$ 9,864,001
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents	\$ 23,993,828	\$ 9,742,209
Noncurrent cash and cash equivalents	-	121,792
	\$ 23,993,828	\$ 9,864,001

Decatur County Memorial Hospital
A Component Unit of Decatur County, Indiana
Statements of Cash Flows (Continued)
Years Ended December 31, 2020 and 2019

	2020	2019
Reconciliation of Operating Income (Loss) to		
Net Cash Provided by Operating Activities		
Operating income (loss)	\$ (6,696,757)	\$ 1,718,466
Depreciation and amortization	3,857,639	3,847,803
Provision for uncollectible accounts	6,525,858	9,123,069
Loss on sale of capital assets	-	74,489
Changes in operating assets and liabilities:		
Patient accounts receivable	(7,792,567)	(11,152,134)
Supplies and other current assets	(923,764)	(1,330,708)
Estimated third-party settlements	(2,151,487)	(1,179,424)
Accounts payable and accrued expenses	3,781,786	1,706,687
Medicare advance payments	7,257,424	-
Net cash provided by operating activities	\$ 3,858,132	\$ 2,808,248
Supplemental Cash Flows Information		
Capital asset additions included in accounts payable and accrued expenses	\$ 687,012	\$ 1,048,804

Decatur County Memorial Hospital
A Component Unit of Decatur County, Indiana
Notes to Financial Statements
December 31, 2020 and 2019

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

Nature of Operations and Reporting Entity

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

The Hospital operates long-term care facilities (LTC) through various lease arrangements with third parties. These facilities provide inpatient and therapy services in their geographic area and support the Hospital's mission to provide quality care and services to the facilities' residents. The facilities are managed by third parties under separate management agreements. The revenues from operations are the property of the Hospital and the Hospital is responsible for the associated operating expenses and working capital requirements. In June 2020, one of the Hospital's long-term care facilities terminated the lease and management agreements. Also in June 2020, the Hospital began operating a new long-term care facility. At December 31, 2020 and 2019, the Hospital operates a total of six long-term care facilities.

In accordance with GASB Statement No. 61, the financial statements include the financial statements of the Decatur County Memorial Hospital Foundation (Foundation). The Foundation's purpose is to provide philanthropic support through fundraising and other activities for the acquisition of equipment, facility development and support of programs at the Hospital, and has therefore been reported as a blended component unit.

The Hospital holds a 51% ownership interest in Decatur County Memorial Pain Management, LLC (Pain Management), which is organized to offer pain management services in the Hospital's primary service area. Effective January 1, 2019, upon adoption of Governmental Accounting Standards Board (GASB) Statement No. 90, *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61*, the operations of Pain Management are reported as a blended component unit, as the Hospital holds a majority equity interest. Although it is legally separate from the Hospital, Pain Management is reported as if it were a part of the Hospital. All significant intercompany transactions have been eliminated for financial reporting purposes. Separate audited financial statements are not issued for Pain Management.

Basis of Accounting and Presentation

The financial statements of the Hospital have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally county appropriations, and federal and state grants) are recognized when all applicable eligibility requirements are met. The Hospital first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position is available.

Decatur County Memorial Hospital
A Component Unit of Decatur County, Indiana
Notes to Financial Statements
December 31, 2020 and 2019

Operating Activities

The Hospital defines operating activities, as reported in the statement of revenues, expenses and changes in net position, as those that generally result from exchange transactions, such as payments received for providing goods and services and payments made for goods and services received, as well as program-specific, government-mandated nonexchange transactions. Nearly all of the Hospital's expenses are from exchange transactions. Certain revenues relied upon for operations, such as county appropriations, noncapital grants and contributions, including government-mandated nonexchange transactions that are not program specific, and investment income, are recorded as nonoperating revenues in accordance with GASB Statement No. 35.

Use of Estimates

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

Cash Equivalents

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2020 and 2019, cash equivalents consisted primarily of money market accounts with brokers.

Risk Management

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

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

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Investments and Investment Income

Investments in U.S. agency obligations with a remaining maturity of one year or less at time of acquisition are carried at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market prices.

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

Patient Accounts Receivable

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

Supplies

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

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

The following estimated useful lives are being used by the Hospital:

Land improvements	5 - 25 years
Buildings and improvements	5 - 40 years
Equipment	5 - 25 years
Major moveable equipment	3 - 25 years
Vehicles	4 years

Capital Asset Impairment

The Hospital evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital or lease asset has occurred. If a capital or lease asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation is increased by the amount of the impairment loss. No asset impairment was recognized during the years ended December 31, 2020 and 2019.

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Compensated Absences

Hospital policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Expense and the related liability for sick leave benefits are recognized to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date, plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date. The estimated compensated absences liability is expected to be paid within one year of the balance sheet date and is therefore included in current liabilities.

Net Position

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

Unearned Grant Revenue

Unearned grant revenue represents funds received from the Provider Relief Fund as authorized through the *Coronavirus Aid, Relief and Economic Security Act* (CARES Act), and other state and local grants. Such funding will be recognized as revenue when the Hospital meets the applicable eligibility requirements, including the incurrence of eligible expenses or lost revenues.

Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

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Charity Care

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

Income Taxes

As an essential government function of the County, the Hospital is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the Hospital is subject to federal income tax on any unrelated business taxable income.

The Foundation is exempt from federal income taxes under Section 501(c)(3) and 509(a)(2) of the U.S. Internal Revenue Code and a similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income. The Foundation files federal tax returns in the U.S. federal jurisdiction.

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

Foundation

The Foundation is a legally separate, tax-exempt component unit of the Hospital. The Foundation's primary function is to raise and hold funds to support the Hospital and its programs. The board of the Foundation is self-perpetuating. Separate financial statements of the Foundation may be obtained by contacting their office at 720 North Lincoln Street, Greensburg, Indiana 47240.

Change in Accounting Principle – Fiduciary Activities

As of January 1, 2020, the Hospital adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Adoption of this Statement had no effect on the financial statements.

Future Accounting Standard

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

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Note 2: Net Patient Service Revenue

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

Medicare

The Hospital is designated by Medicare as a critical access hospital (CAH). Inpatient acute care and swing bed services, and most outpatient services, are reimbursed based on a cost reimbursement methodology. Interim per diem rates for inpatient services and percent of charges for outpatient services are reimbursed throughout the year, with final settlement determined after submission of the annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor.

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

Medicaid

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

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

Approximately 66% and 65% of net patient service revenue are from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2020 and 2019, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Hospital qualifies as a Medicaid Disproportionate Share Hospital (DSH) provider under Indiana law and, as such, is eligible to receive supplemental Medicaid payments. The amounts of these supplemental payments are dependent on regulatory approval by agencies of the federal and state governments and is determined by level, extent and cost of uncompensated care and various other factors. Supplemental payments have been made by the State of Indiana, and the Hospital records such amounts as revenue when it has been reasonably determined that the funds will be received. The Hospital recognized approximately \$1.3 million within net patient service revenue related to this supplemental payment program for each of the years ended December 31, 2020 and 2019. Amounts outstanding at December 31, 2020 and 2019 approximated \$674,000 and are accrued as a receivable in estimated third-party settlements. The accrued amount represents management's best estimate of DSH funds due to the Hospital, which are typically paid in arrears.

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The Hospital participates in a state-specific provider assessment program to increase Medicaid payments to hospitals. The Hospital incurred approximately \$2,329,000 and \$2,487,000 related to this Medicaid program for 2020 and 2019, respectively, which is recorded as an operating expense in the statements of revenues, expenses and changes in net position.

The Hospital's Medicaid Inpatient Utilization Rate (MIUR) exceeded state-wide thresholds, as defined by state regulation, during its most recent measurement period. A benefit of having a MIUR exceeding this threshold includes a 25% reduction in the provider assessment fee. The provider assessment fee program is subject to further retroactive rate settings by the state of Indiana and its Medicaid program and the amounts expensed represent the current fees that have been assessed to the Hospital, including the 25% benefit, through December 31, 2020.

The state measures MIUR percentages no less than every four years and no more than every two years. At each measurement period, the state-defined MIUR threshold changes, which could affect the Hospital's eligibility status. Any change in MIUR eligibility would affect the Hospital's ability to receive the 25% provider assessment fee reduction. The State's most recent measurement is for the period ended June 30, 2019. Any change in the amount of tax due as a result of eligibility changes will be recorded in the period the state has made its determination. Subsequent to year-end, the Hospital was notified its MIUR continued to exceed initial state-wide thresholds for the 24 month period ending June 30, 2021. This initial calculation is subject to provider appeals and is not considered a final notice of eligibility.

The amounts outstanding and owed under the assessment fee program were \$420,000 for the year ended December 31, 2020 and are included as a payable in estimated third-party settlements. Amounts due to the Hospital for retroactive rate adjustments approximated \$699,000 at December 31, 2019 and are included as a receivable in estimated third-party settlements.

The long-term care operations of the Hospital qualify for supplemental Medicaid payments through the Upper Payment Limit (UPL) program. The UPL is established to pay qualifying providers the difference between what Medicare would have paid and what Medicaid actually paid. The UPL is distributed through an intergovernmental transfer (IGT) arrangement. The Hospital is responsible for funding the IGT for the long-term care operations. Revenue associated with the UPL program is recorded net of IGT payments made to the program and is included in other operating revenue. The Hospital recognized approximately \$7.2 million and \$4.8 million related to this supplemental payment program for the years ended December 31, 2020 and 2019, respectively. At December 31, 2020 and 2019, \$1.5 million and \$1.3 million, respectively, are accrued and included in prepaid expenses and other current assets.

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

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Note 3: Deposits, Investments and Investment Return

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Hospital's deposit policy for custodial credit risk requires compliance with the provisions of state law.

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

Investments

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

At December 31, 2020 and 2019, the Hospital had the following investments and maturities:

Type	Fair Value	2020			
		Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
Money market mutual funds	\$ 1,256,737	\$ 1,256,737	\$ -	\$ -	\$ -
Equity mutual funds	23,558,037	23,558,037	-	-	-
Fixed income mutual funds	8,582,924	8,582,924	-	-	-
Balanced mutual funds	243,697	243,697	-	-	-
U.S. agency obligations	61,321	-	-	-	61,321
	<u>\$ 33,702,716</u>	<u>\$ 33,641,395</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,321</u>

Type	Fair Value	2019			
		Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
Money market mutual funds	\$ 788,229	\$ 788,229	\$ -	\$ -	\$ -
Equity mutual funds	15,480,626	15,480,626	-	-	-
Fixed income mutual funds	5,823,844	5,823,844	-	-	-
Balanced mutual funds	164,578	164,578	-	-	-
U.S. agency obligations	486,796	-	-	-	486,796
	<u>\$ 22,744,073</u>	<u>\$ 22,257,277</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 486,796</u>

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Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Hospital does not have a formal investment policy for interest rate risk.

Credit Risk - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Hospital does not have a formal investment policy for credit risk. At December 31, 2020 and 2019, the Hospital's investments were not rated by Standard & Poor's or Moody's Investors Service.

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

Concentration of Credit Risk - The Hospital places no limit on the amount that may be invested in any one issuer. The Hospital's policy is to limit holdings in equities to 70% and to limit fixed income holdings to 60%.

Summary of Carrying Values

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

	<u>2020</u>	<u>2019</u>
Carrying value:		
Deposits	\$ 23,993,828	\$ 9,864,001
Investments	<u>33,702,716</u>	<u>22,744,073</u>
	<u>\$ 57,696,544</u>	<u>\$ 32,608,074</u>
Included in the following balance sheets captions:		
Cash and cash equivalents	\$ 23,993,828	\$ 9,742,209
Short-term investments	31,511,676	20,587,563
Noncurrent cash and investments		
Internally designated for capital improvements	1,704,265	1,704,265
Restricted by contributors and grantors	<u>486,775</u>	<u>574,037</u>
	<u>\$ 57,696,544</u>	<u>\$ 32,608,074</u>

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Investment Return

Investment return for the years ended December 31 consisted of:

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 560,941	\$ 745,553
Net increase in fair value of investments	<u>3,360,392</u>	<u>3,088,235</u>
	<u>\$ 3,921,333</u>	<u>\$ 3,833,788</u>

Note 4: Patient Accounts Receivable

The Hospital grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payor agreements. Patient accounts receivable at December 31 consisted of:

	<u>2020</u>	<u>2019</u>
Medicare	\$ 3,847,389	\$ 3,417,041
Medicaid	2,900,365	2,959,357
Other third-party payors	5,132,349	4,409,964
Patients	<u>6,819,885</u>	<u>6,723,299</u>
	18,699,988	17,509,661
Less allowance for uncollectible accounts	<u>5,303,638</u>	<u>5,380,020</u>
	<u>\$ 13,396,350</u>	<u>\$ 12,129,641</u>

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Note 5: Capital Assets

Capital assets activity for the years ended December 31 was:

	2020				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	\$ 1,322,405	\$ -	\$ -	\$ 2,227,805	\$ 3,550,210
Land improvements	595,946	-	-	24,344	620,290
Buildings and leasehold improvements	41,546,701	25,749	-	262,624	41,835,074
Equipment	3,821,348	-	-	-	3,821,348
Major moveable equipment	25,508,495	739,398	(51,358)	319,596	26,516,131
Vehicles	267,458	-	-	-	267,458
Construction in progress	1,815,197	6,767,270	-	(2,834,369)	5,748,098
	<u>74,877,550</u>	<u>7,532,417</u>	<u>(51,358)</u>	<u>-</u>	<u>82,358,609</u>
Less accumulated depreciation:					
Land improvements	449,458	23,939	-	-	473,397
Buildings and leasehold improvements	17,923,993	1,392,178	-	-	19,316,171
Equipment	2,620,982	274,510	-	-	2,895,492
Major moveable equipment	20,226,874	2,115,938	(51,358)	-	22,291,454
Vehicles	106,217	51,074	-	-	157,291
	<u>41,327,524</u>	<u>3,857,639</u>	<u>(51,358)</u>	<u>-</u>	<u>45,133,805</u>
Capital assets, net	<u>\$ 33,550,026</u>	<u>\$ 3,674,778</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,224,804</u>
	2019				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	\$ 1,134,637	\$ -	\$ -	\$ 187,768	\$ 1,322,405
Land improvements	591,946	4,000	-	-	595,946
Buildings and leasehold improvements	41,325,387	209,401	(74,272)	86,185	41,546,701
Equipment	3,576,931	199,228	(281,285)	326,474	3,821,348
Major moveable equipment	27,144,533	702,640	(3,039,873)	701,195	25,508,495
Vehicles	121,373	-	(23,784)	169,869	267,458
Construction in progress	576,506	2,710,182	-	(1,471,491)	1,815,197
	<u>74,471,313</u>	<u>3,825,451</u>	<u>(3,419,214)</u>	<u>-</u>	<u>74,877,550</u>
Less accumulated depreciation:					
Land improvements	426,186	23,272	-	-	449,458
Buildings and leasehold improvements	16,595,193	1,397,485	(68,685)	-	17,923,993
Equipment	2,648,528	245,246	(272,792)	-	2,620,982
Major moveable equipment	21,054,986	2,152,364	(2,980,476)	-	20,226,874
Vehicles	99,553	29,436	(22,772)	-	106,217
	<u>40,824,446</u>	<u>3,847,803</u>	<u>(3,344,725)</u>	<u>-</u>	<u>41,327,524</u>
Capital assets, net	<u>\$ 33,646,867</u>	<u>\$ (22,352)</u>	<u>\$ (74,489)</u>	<u>\$ -</u>	<u>\$ 33,550,026</u>

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Note 6: Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses included in current liabilities at December 31 consisted of:

	2020	2019
Payable to suppliers, contractors and other	\$ 12,864,179	\$ 11,235,535
Payable to employees (including payroll taxes and benefits)	4,449,024	3,269,519
Balance, end of year	\$ 17,313,203	\$ 14,505,054

Note 7: Medical Malpractice Claims

The Hospital purchases medical malpractice insurance up to coverage limits under the Indiana Malpractice Act (the Act) under a claims-made policy on a fixed premium basis. The Hospital is covered under the Act which limits professional liability for claims on or after July 1, 2017 to a maximum recovery of \$1,650,000 per occurrence, \$400,000 of which would be paid through malpractice insurance coverage, with the remainder due from the Fund. For claims on or after July 1, 2019, the maximum recovery is \$1,800,000 per occurrence, \$500,000 of which would be paid through commercial insurance coverage, with the remainder due from the Fund.

Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claims 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 claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

Note 8: Employee Health Claims

Substantially all of the Hospital's employees and their dependents are eligible to participate in the Hospital's employee health insurance plan. The Hospital is self-insured for health claims of participating employees and dependents. Commercial stop-loss insurance coverage is purchased for claims in excess of a \$50,000 aggregate specific deductible on top of a \$150,000 aggregate group specific deductible for a maximum annual reimbursement of \$1,000,000. A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims, and other economic and social factors. It is reasonably possible that the Hospital's estimate will change by a material amount in the near term.

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Activity in the Hospital's accrued employee health claims liability during 2020 and 2019 is summarized as follows:

	2020	2019
Balance, beginning of year	\$ 275,000	\$ 300,080
Current year claims incurred and changes in estimates for		
claims incurred in prior years	4,143,033	3,258,113
Claims and expenses paid	(3,560,755)	(3,283,193)
Balance, end of year	\$ 857,278	\$ 275,000

Note 9: Long-Term Obligations and Line of Credit

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

	2020				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt:					
Revenue bond payable:					
Capital improvement bond, series 2012	\$ 4,918,327	\$ -	\$ (522,848)	\$ 4,395,479	\$ 535,826
Capital lease obligations	41,540	-	(19,414)	22,126	20,445
Paycheck Protection Program loan payable	-	6,124,400	-	6,124,400	6,124,400
Total long-term debt	4,959,867	6,124,400	(542,262)	10,542,005	6,680,671
Other liabilities:					
Medicare advance payments	-	7,257,424	-	7,257,424	2,911,610
Other accrued liabilities	-	1,223,690	-	1,223,690	611,845
Total long-term obligations	\$ 4,959,867	\$ 14,605,514	\$ (542,262)	\$ 19,023,119	\$ 10,204,126

	2019				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt:					
Revenue bonds payable:					
First mortgage refunding bonds, series 2011	\$ 177,500	\$ -	\$ (177,500)	\$ -	\$ -
Capital improvement bond, series 2012	5,427,697	-	(509,370)	4,918,327	521,300
Note payable to bank	1,393,205	-	(1,393,205)	-	-
Plus: bond premium	1,369	-	(1,369)	-	-
Capital lease obligations	59,904	-	(18,364)	41,540	19,415
Total long-term debt	\$ 7,059,675	\$ -	\$ (2,099,808)	\$ 4,959,867	\$ 540,715

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First Mortgage Refunding Bonds, Series 2011

The First Mortgage Refunding Bonds, Series 2011 (Series 2011 Bonds) consisted of bonds payable in the original amount of \$5,595,000 dated December 1, 2011, issued by the Decatur County Hospital Association (Association). These bonds were made up of two components referred to as: (a) 2011 lease revenue refunding bonds and (b) 2011 revenue refunding bonds. The Hospital entered into an agreement with the Association where the Hospital would be responsible for 50% of principal and interest on the 2011 lease revenue refunding bonds totaling \$4,515,000. The County was responsible for the remaining 50% of principal and interest payments on these bonds. The bonds were payable in semiannual installments through January 2019 including interest at 2.0% to 4.0%. The bonds were paid in full in January 2019.

Capital Improvements Bond, Series 2012

The Capital Improvements Bond, Series 2012 (Series 2012 Bond) consists of bonds payable in the original amount up to \$8,000,000 dated August 1, 2012, issued by the Hospital. The bonds were issued to fund certain expansions of the Hospital. During the construction phase, bond advances were made to fund the costs of the construction project. The bond is payable in monthly installments of \$54,059 through June 2028 and bears interest at 2.65%. The Series 2012 Bond is secured by a mortgage on certain improvements and real property of the Hospital.

Note Payable to Bank

The Hospital borrowed funds to finance the acquisition of certain information technology improvements. The note payable to a bank, dated May 18, 2015, allowed for borrowings up to \$5 million bearing interest at 1-month LIBOR plus 2.5%. The Hospital was required to make interest-only payments through March 2016, followed by 50 monthly principal and interest payments through May 2020. During 2019, the Hospital made advance payments to satisfy the note payable balance in full.

The Hospital is required to comply with certain restrictive covenants including maintaining a historical debt-service coverage ratio of at least 1.5 to 1.0, maintenance of minimum working capital of \$8,000,000 and maintenance of a current ratio of at least 2.0 to 1.0.

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The debt service requirements on the bond payable, as of December 31, 2020, are as follows:

Year Ending December 31,	Total to be Paid	Principal	Interest
2021	\$ 648,703	\$ 535,826	\$ 112,877
2022	648,703	550,401	98,302
2023	648,703	565,373	83,330
2024	648,703	580,549	68,154
2025	648,703	597,905	50,798
2026 - 2028	<u>1,620,308</u>	<u>1,565,425</u>	<u>54,883</u>
	<u>\$ 4,863,823</u>	<u>\$ 4,395,479</u>	<u>\$ 468,344</u>

Capital Lease Obligations

The Hospital is obligated under leases for equipment that are accounted for as capital leases. The following is a schedule by year of future minimum lease payments under the capital leases including interest at rates of 5.5% to 5.6% together with the present value of the future minimum lease payments as of December 31, 2020:

2021	\$ 21,695
2022	<u>1,781</u>
Total minimum lease payments	23,476
Less amount representing interest	<u>1,350</u>
Present value of future minimum lease payments	<u>\$ 22,126</u>

Assets under capital leases at December 31, 2020 and 2019, totaled:

	<u>2020</u>	<u>2019</u>
Machinery and equipment	\$ 88,219	\$ 88,219
Accumulated depreciation	<u>(61,753)</u>	<u>(44,110)</u>
	<u>\$ 26,466</u>	<u>\$ 44,109</u>

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Paycheck Protection Program Loan Payable

During 2020, the Hospital borrowed \$6,124,400 through the Small Business Association (SBA) Paycheck Protection Program (PPP) as authorized by the CARES Act and other subsequent legislation. The loan is designed to provide a direct incentive for small businesses to keep their workers on the payroll. The PPP loans will be forgiven if all employee retention criteria are met and the funds are used for eligible expenses. The loan has an interest rate of 1 percent, with payments due monthly starting ten months after the end of the Hospital's loan forgiveness covered period. The loan, if not forgiven, matures in May 2022, two years from the date proceeds were received.

The Hospital is accounting for the PPP loan in accordance with GASB Statement 62. Interest is accrued in accordance with the loan agreement. Any forgiveness of the loan will be recognized as a gain in the financial statements in the period the debt is legally released. The PPP loan is included on the accompanying balance sheet as current maturities of long-term debt as management believes amounts will be forgiven in full in 2021.

Line of Credit

The Hospital executed a \$3,000,000 line of credit in April 2020 to provide liquidity due to the operational impact of COVID-19. The line of credit matures in April 2021 and interest on outstanding draws accrues at variable LIBOR based rate. The line of credit is secured by certain assets of the Hospital. At December 31, 2020, there were no amounts drawn related to this line of credit. This agreement was amended subsequent to year-end to extend the maturity to April 2022.

Note 10: Pension Plan

The Hospital contributes to a defined-contribution pension plan, as authorized by Indiana Code 16-22-3-11, covering substantially all employees. Pension expense is recorded for the amount of the Hospital's required contributions, determined in accordance with the terms of the plan. The plan administrator is the Executive Director of Human Resources for the Hospital. The plan provides retirement and death benefits to plan members and their beneficiaries. Benefit provisions are contained in the plan document and were established and can be amended by action of the Hospital's governing body. The Hospital is required to match 100% of the employee contribution up to 1% of employee's compensation. In addition, the Hospital may make a discretionary contribution as determined by the Hospital Board, which was 3% for 2020 and 2019. Hospital expense related to the employer contributions to the plan approximated \$940,000 for 2020 compared to \$860,000 for 2019.

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Note 11: Disclosures About Fair Value of Assets

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

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

Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2020 and 2019:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2020				
Investments by fair value level				
Equity mutual funds	\$ 23,558,037	\$ 23,558,037	\$ -	\$ -
Fixed income mutual funds	8,582,924	8,582,924	-	-
Balanced mutual funds	243,697	243,697	-	-
U.S. agency obligations	61,321	-	61,321	-
	<u>32,445,979</u>	<u>\$ 32,384,658</u>	<u>\$ 61,321</u>	<u>\$ -</u>
Total investments measured by fair value level	32,445,979	\$ 32,384,658	\$ 61,321	\$ -
Investments measured at the net asset value (NAV)				
Money market mutual funds	<u>1,256,737</u>			
Total investments measured at fair value	<u>\$ 33,702,716</u>			

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	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2019				
Investments by fair value level				
Equity mutual funds	\$ 15,480,626	\$ 15,480,626	\$ -	\$ -
Fixed income mutual funds	5,823,844	5,823,844	-	-
Balanced mutual funds	164,578	164,578	-	-
U.S. agency obligations	486,796	-	486,796	-
		<u> </u>	<u> </u>	<u> </u>
Total investments measured by fair value level	21,955,844	<u>\$ 21,469,048</u>	<u>\$ 486,796</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV)				
Money market mutual funds	<u>788,229</u>			
Total investments measured at fair value	<u>\$ 22,744,073</u>			

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Hospital does not have any Level 3 assets at December 31, 2020 and 2019.

Note 12: Commitments and Contingencies

Litigation

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

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Note 15: Long-Term Care Operating Lease and Management Agreements

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

The lease agreements call for monthly base rent payments as outlined in the agreements. Rental expense approximated \$2.8 million and \$3.4 million in 2020 and 2019, respectively.

The management agreements include management fees consisting of base management fees, subordinated management fees and incentive management fees. Base and subordinate management fees are determined on percentages of net patient service revenue of the individual facilities and range from 2% to 5%. Incentive management fees are to be paid only if sufficient working capital exists. The agreements also call for quality, royalty and capital improvement fees to be paid to the Managers. Management and other fees approximated \$2.9 million and \$2.1 million in 2020 and 2019, respectively, and include waivers of certain fees as insufficient cash flows existed to fund the amounts due.

Under the management agreements, the employees necessary to operate the facilities are contracted by the Hospital. The majority of all costs in the ordinary course of business are paid by the Managers who are then reimbursed by the Hospital from operations of the facilities. Similarly, Managers of certain facilities have provided working capital to cover insufficient cash flows from operations. Consequently, the majority of accounts payable and accrued expenses of the long-term care operations approximating \$9.4 million and \$8.1 million at December 31, 2020 and 2019, reflect amounts due to the Managers and their vendors.

Note 16: COVID-19 Pandemic and CARES Act Funding

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 (COVID-19) as a global pandemic. Patient volumes and the related revenues were significantly affected by COVID-19 as various policies were implemented by federal, state, and local governments in response to the pandemic that led many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective procedures by health care facilities.

While some of these policies have been eased and states have lifted moratoriums on non-emergent procedures, some restrictions remain in place, and some state and local governments are re-imposing certain restrictions due to increasing rates of COVID-19 cases prior to the widespread availability of a vaccine.

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The Hospital's pandemic response plan has multiple facets and continues to evolve as the pandemic unfolds. The Hospital has taken precautionary steps to enhance its operational and financial flexibility, and react to the risks the COVID-19 pandemic presents to its business, including the implementation of temporary targeted cost reduction initiatives and reduction of certain planned projects and capital expenditures.

The extent of the COVID-19 pandemic's adverse effect on the Hospital's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the Hospital's control and ability to forecast. Such factors include, but are not limited to, the scope and duration of stay-at-home practices and business closures and restrictions, government-imposed or recommended suspensions of elective procedures, declines in patient volumes for an indeterminable length of time, increases in the number of uninsured and underinsured patients as a result of higher sustained rates of unemployment, incremental expenses required for supplies and personal protective equipment, and changes in professional and general liability exposure.

Because of these and other uncertainties, the Hospital cannot estimate the length or severity of the effect of the pandemic on the Hospital's business. Decreases in cash flows and results of operations may have an effect on access to liquidity and on the inputs and assumptions used in significant accounting estimates, including estimated bad debts and contractual adjustments related to uninsured and other patient accounts.

Provider Relief Funds

During the year ended December 31, 2020, the Hospital received \$18.4 million of distributions from the CARES Act Provider Relief Fund. These distributions from the Provider Relief Fund are not subject to repayment, provided the Hospital is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by the Department of Health and Human Services (HHS).

The Hospital accounts for such payments as voluntary nonexchange transactions in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Payments are recognized as grant revenue once the applicable terms and conditions required to retain the funds have been substantially met. Revenue recognized is classified as nonoperating and the associated cash flows are included within noncapital financing activities. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the Hospital's revenues and expenses through December 31, 2020, the Hospital recognized \$16.8 million from the Provider Relief Fund as nonoperating revenue – noncapital grants and contributions within the accompanying statements of revenues, expenses and changes in net position. The unrecognized amount of Provider Relief Fund distributions are recorded as part of unearned grant revenue in the accompanying balance sheets.

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

Medicare Advance Payments

During the year ended December 31, 2020, the Hospital requested accelerated Medicare payments as provided for in the CARES Act, which allows for eligible health care facilities to request up to six months of advance Medicare payments for acute care hospitals or up to three months of advance Medicare payments for other health care providers. These amounts are expected to be recaptured by the Center for Medicare and Medicaid Services (CMS) according to the payback provisions.

Effective September 30, 2020, the payback provisions were revised and extended the payback period to begin one year after the issuance of the advance payment through a phased payback period approach. The first 11 months of the payback period will be at 25 percent of the remittance advice payment followed by a six-month payback period at 50 percent of the remittance advice payment. After the 17-month payback period (29 months after issuance of the advance payment), CMS expects any amount not paid back through the withhold amounts to be paid back in a lump-sum or interest will begin to accrue subsequent to the 29 months at a rate of 4 percent.

During the year ended December 31, 2020, the Hospital received approximately \$7.3 million from these accelerated Medicare payment requests. Based on historical Medicare claims volumes, management believes \$2.9 million of the funds will be recouped by December 31, 2021 and are included as a current liability in the accompany balance sheets. The remainder of these advances is included as a noncurrent liability.

Deferred Employer Payroll Taxes

As part of the CARES Act legislation, organizations are eligible to defer payment of the employer's share of Social Security payroll taxes owed on wages paid for the year ended December 31, 2020. These deferred tax payments are due in two installments: 50 percent due by December 31, 2021 and 50 percent due by December 31, 2022. Therefore, the Hospital has deferred taxes of \$1.2 million, with approximately \$600,000 included in accounts payable and accrued expenses and \$600,000 included in noncurrent liabilities – other accrued liabilities.

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Other COVID-19 Funding

The Hospital received additional state and federal grants and awards approximating \$670,000 which were to be used for COVID-19 specific activities and expansion of telehealth programs. These funds are recorded as nonoperating revenue – noncapital grants and contributions within the accompanying statements of revenues, expenses and changes in net position. The nursing home operations owned by the Hospital were subject to Medicaid rate increases instituted in response to the COVID-19 pandemic. Certain “COVID ready” facilities received additional increases in Medicaid rates and per diems during portions of 2020. These rate increases are included within net patient service revenue as the funding constitutes reimbursement for care or treatment provided. Further, the federal government’s response to COVID-19 temporarily reduced the non-federal share associated with funding of certain supplemental Medicaid payments. This led to a temporary decrease in Hospital Assessment Fee amounts and an increase in net UPL revenue received.

Subsequent to year-end, the Hospital received approximately \$2,100,000 in additional state and federal funding for vaccine administration and funding authorized for rural health clinic testing and mitigation efforts.

Supplementary Information

Decatur County Memorial Hospital
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Combining Balance Sheet Information
December 31, 2020

	2020					Total
	Hospital	LTC	Hospital Foundation	Pain Management	Eliminations	
Assets						
Current Assets						
Cash and cash equivalents	\$ 20,059,411	\$ 3,296,876	\$ 543,294	\$ 94,247	\$ -	\$ 23,993,828
Short-term investments	31,087,836	-	423,840	-	-	31,511,676
Patient accounts receivable, net of allowance of Hospital - \$3,806,893; LTC - \$1,496,745	8,378,460	5,017,890	-	-	-	13,396,350
Supplies	1,518,195	-	-	-	-	1,518,195
Estimated third-party settlements	4,543,753	-	-	-	-	4,543,753
Prepaid expenses and other assets	1,446,560	2,528,711	11,605	-	-	3,986,876
Due from related party	12,141	-	-	176,398	(188,539)	-
Total current assets	<u>67,046,356</u>	<u>10,843,477</u>	<u>978,739</u>	<u>270,645</u>	<u>(188,539)</u>	<u>78,950,678</u>
Noncurrent Cash and Investments						
Internally designated for capital improvements	1,704,265	-	-	-	-	1,704,265
Restricted by contributors and grantors	7,532	-	479,243	-	-	486,775
Total noncurrent cash and investments	<u>1,711,797</u>	<u>-</u>	<u>479,243</u>	<u>-</u>	<u>-</u>	<u>2,191,040</u>
Capital Assets, net	<u>37,224,804</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,224,804</u>
Investment in Equity Investee	<u>118,346</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(118,346)</u>	<u>-</u>
Total assets	<u>\$ 106,101,303</u>	<u>\$ 10,843,477</u>	<u>\$ 1,457,982</u>	<u>\$ 270,645</u>	<u>\$ (306,885)</u>	<u>\$ 118,366,522</u>
Liabilities and Net Position						
Current Liabilities						
Current maturities of long-term debt	\$ 6,680,671	\$ -	\$ -	\$ -	\$ -	\$ 6,680,671
Accounts payable and accrued expenses	7,830,234	9,477,564	-	5,405	-	17,313,203
Estimated third-party settlements	420,334	-	-	-	-	420,334
Unearned grant revenue	1,600,000	-	-	-	-	1,600,000
Current portion of Medicare advance payments	2,000,000	911,610	-	-	-	2,911,610
Due to related party	143,209	-	12,141	33,189	(188,539)	-
Total current liabilities	<u>18,674,448</u>	<u>10,389,174</u>	<u>12,141</u>	<u>38,594</u>	<u>(188,539)</u>	<u>28,925,818</u>
Noncurrent Liabilities						
Long-term debt	3,861,334	-	-	-	-	3,861,334
Other accrued liabilities	533,091	78,754	-	-	-	611,845
Long-term portion of Medicare advance payments	4,345,814	-	-	-	-	4,345,814
Total noncurrent liabilities	<u>8,740,239</u>	<u>78,754</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,818,993</u>
Total liabilities	<u>27,414,687</u>	<u>10,467,928</u>	<u>12,141</u>	<u>38,594</u>	<u>(188,539)</u>	<u>37,744,811</u>
Net Position						
Net investment in capital assets	32,120,187	-	-	-	-	32,120,187
Restricted:						
Expendable for capital acquisitions	-	-	230,573	-	-	230,573
Expendable for specific operating activities	7,532	-	248,670	-	-	256,202
Other	-	-	-	113,705	-	113,705
Unrestricted	46,558,897	375,549	966,598	118,346	(118,346)	47,901,044
Total net position	<u>78,686,616</u>	<u>375,549</u>	<u>1,445,841</u>	<u>232,051</u>	<u>(118,346)</u>	<u>80,621,711</u>
Total liabilities and net position	<u>\$ 106,101,303</u>	<u>\$ 10,843,477</u>	<u>\$ 1,457,982</u>	<u>\$ 270,645</u>	<u>\$ (306,885)</u>	<u>\$ 118,366,522</u>

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Combining Balance Sheet Information
December 31, 2019

	2019					Total
	Hospital	LTC	Hospital Foundation	Pain Management	Eliminations	
Assets						
Current Assets						
Cash and cash equivalents	\$ 6,600,391	\$ 2,471,375	\$ 559,300	\$ 111,143	\$ -	\$ 9,742,209
Short-term investments	20,374,245	-	213,318	-	-	20,587,563
Patient accounts receivable, net of allowance of Hospital - \$4,081,986; LTC - \$1,298,034	8,402,545	3,727,096	-	-	-	12,129,641
Supplies	1,488,068	-	-	-	-	1,488,068
Estimated third-party settlements	2,098,137	159,680	-	-	-	2,257,817
Prepaid expenses and other assets	1,540,341	1,552,898	-	-	-	3,093,239
Due from related party	43,834	-	-	124,322	(168,156)	-
Total current assets	<u>40,547,561</u>	<u>7,911,049</u>	<u>772,618</u>	<u>235,465</u>	<u>(168,156)</u>	<u>49,298,537</u>
Noncurrent Cash and Investments						
Internally designated for capital improvements	1,704,265	-	-	-	-	1,704,265
Restricted by contributors and grantors	7,532	-	566,505	-	-	574,037
Total noncurrent cash and investments	<u>1,711,797</u>	<u>-</u>	<u>566,505</u>	<u>-</u>	<u>-</u>	<u>2,278,302</u>
Capital Assets, net	<u>33,550,026</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,550,026</u>
Investment in Equity Investee	<u>107,427</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(107,427)</u>	<u>-</u>
Total assets	<u>\$ 75,916,811</u>	<u>\$ 7,911,049</u>	<u>\$ 1,339,123</u>	<u>\$ 235,465</u>	<u>\$ (275,583)</u>	<u>\$ 85,126,865</u>
Liabilities and Net Position						
Current Liabilities						
Current maturities of long-term debt	\$ 540,715	\$ -	\$ -	\$ -	\$ -	\$ 540,715
Accounts payable and accrued expenses	6,507,216	7,995,570	-	2,268	-	14,505,054
Estimated third-party settlements	175,000	110,885	-	-	-	285,885
Due to related party	125,884	-	19,715	22,557	(168,156)	-
Total current liabilities	<u>7,348,815</u>	<u>8,106,455</u>	<u>19,715</u>	<u>24,825</u>	<u>(168,156)</u>	<u>15,331,654</u>
Long-Term Debt	<u>4,419,152</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,419,152</u>
Total liabilities	<u>11,767,967</u>	<u>8,106,455</u>	<u>19,715</u>	<u>24,825</u>	<u>(168,156)</u>	<u>19,750,806</u>
Net Position						
Net investment in capital assets	27,541,355	-	-	-	-	27,541,355
Restricted:						
Expendable for capital acquisitions	-	-	229,323	-	-	229,323
Expendable for specific operating activities	7,532	-	337,182	-	-	344,714
Other	-	-	-	103,213	-	103,213
Unrestricted	36,599,957	(195,406)	752,903	107,427	(107,427)	37,157,454
Total net position	<u>64,148,844</u>	<u>(195,406)</u>	<u>1,319,408</u>	<u>210,640</u>	<u>(107,427)</u>	<u>65,376,059</u>
Total liabilities and net position	<u>\$ 75,916,811</u>	<u>\$ 7,911,049</u>	<u>\$ 1,339,123</u>	<u>\$ 235,465</u>	<u>\$ (275,583)</u>	<u>\$ 85,126,865</u>

Decatur County Memorial Hospital
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Combining Statement of Revenues, Expenses and
Changes in Net Position Information
Year Ended December 31, 2020

	2020					Total
	Hospital	LTC	Hospital Foundation	Pain Management	Eliminations	
Operating Revenues						
Net patient service revenue, net of provision for uncollectible accounts of Hospital - \$5,001,477; LTC - \$1,524,381	\$ 61,373,526	\$ 34,263,508	\$ -	\$ 721,415	\$ -	\$ 96,358,449
Other	8,833,515	7,234,804	-	-	(155,795)	15,912,524
Total operating revenues	<u>70,207,041</u>	<u>41,498,312</u>	<u>-</u>	<u>721,415</u>	<u>(155,795)</u>	<u>112,270,973</u>
Operating Expenses						
Salaries, wages and contract labor	30,326,431	19,561,160	-	196,379	-	50,083,970
Employee benefits	7,654,792	1,803,869	-	50,862	-	9,509,523
Purchased services and professional fees	13,732,683	8,836,860	-	105,716	-	22,675,259
Medical supplies, drugs and other supplies	14,171,980	3,327,528	-	25,007	-	17,524,515
Utilities	800,230	987,523	-	-	-	1,787,753
Repairs and maintenance	2,017,408	215,326	-	-	-	2,232,734
Lease and rentals	27,012	3,215,185	-	24,259	-	3,266,456
Insurance	663,048	573,873	-	6,100	-	1,243,021
Depreciation and amortization	3,857,639	-	-	-	-	3,857,639
Other	1,240,455	3,209,780	-	7,673	-	4,457,908
Provider hospital assessment fee	2,328,952	-	-	-	-	2,328,952
Total operating expenses	<u>76,820,630</u>	<u>41,731,104</u>	<u>-</u>	<u>415,996</u>	<u>-</u>	<u>118,967,730</u>
Operating Income (Loss)	<u>(6,613,589)</u>	<u>(232,792)</u>	<u>-</u>	<u>305,419</u>	<u>(155,795)</u>	<u>(6,696,757)</u>
Nonoperating Revenues (Expenses)						
Investment return	3,795,395	-	125,938	-	-	3,921,333
Interest expense	(127,687)	-	-	-	-	(127,687)
Noncapital grants and contributions	8,897,491	8,615,499	157,550	-	-	17,670,540
Noncapital appropriations - Decatur County	121,000	-	-	-	-	121,000
Other	653,410	-	(157,055)	-	-	496,355
Total nonoperating revenues (expenses)	<u>13,339,609</u>	<u>8,615,499</u>	<u>126,433</u>	<u>-</u>	<u>-</u>	<u>22,081,541</u>
Excess of Revenues Over Expenses Before Transfers	6,726,020	8,382,707	126,433	305,419	(155,795)	15,384,784
Transfers	7,811,752	(7,811,752)	-	-	-	-
Other Changes in Net Position	-	-	-	(284,008)	144,876	(139,132)
Increase in Net Position	14,537,772	570,955	126,433	21,411	(10,919)	15,245,652
Net Position, Beginning of Year	64,148,844	(195,406)	1,319,408	210,640	(107,427)	65,376,059
Net Position, End of Year	<u>\$ 78,686,616</u>	<u>\$ 375,549</u>	<u>\$ 1,445,841</u>	<u>\$ 232,051</u>	<u>\$ (118,346)</u>	<u>\$ 80,621,711</u>

Decatur County Memorial Hospital
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Combining Statement of Revenues, Expenses and
Changes in Net Position Information
Year Ended December 31, 2019

	2019					Total
	Hospital	LTC	Hospital Foundation	Pain Management	Eliminations	
Operating Revenues						
Net patient service revenue, net of provision for uncollectible accounts of Hospital - \$7,724,594; LTC - \$1,398,475	\$ 60,703,627	\$ 33,381,146	\$ -	\$ 634,614	\$ -	\$ 94,719,387
Other	8,087,078	4,839,957	-	-	(130,899)	12,796,136
Total operating revenues	<u>68,790,705</u>	<u>38,221,103</u>	<u>-</u>	<u>634,614</u>	<u>(130,899)</u>	<u>107,515,523</u>
Operating Expenses						
Salaries, wages and contract labor	29,374,072	19,408,303	-	173,910	-	48,956,285
Employee benefits	6,577,100	-	-	45,043	-	6,622,143
Purchased services and professional fees	10,239,598	6,296,420	-	86,295	-	16,622,313
Medical supplies, drugs and other supplies	10,682,372	3,105,332	-	25,597	-	13,813,301
Utilities	726,956	806,405	-	-	-	1,533,361
Repairs and maintenance	2,319,491	231,421	-	-	-	2,550,912
Lease and rentals	72,755	3,715,483	-	24,096	-	3,812,334
Insurance	671,491	587,529	-	6,100	-	1,265,120
Depreciation and amortization	3,847,803	-	-	-	-	3,847,803
Other	1,213,745	3,055,241	-	17,058	-	4,286,044
Provider hospital assessment fee	2,487,441	-	-	-	-	2,487,441
Total operating expenses	<u>68,212,824</u>	<u>37,206,134</u>	<u>-</u>	<u>378,099</u>	<u>-</u>	<u>105,797,057</u>
Operating Income	<u>577,881</u>	<u>1,014,969</u>	<u>-</u>	<u>256,515</u>	<u>(130,899)</u>	<u>1,718,466</u>
Nonoperating Revenues (Expenses)						
Investment return	3,712,519	-	121,269	-	-	3,833,788
Interest expense	(185,657)	-	-	-	-	(185,657)
Noncapital grants and contributions	-	-	246,726	-	-	246,726
Noncapital appropriations - Decatur County	132,000	-	-	-	-	132,000
Other	410,670	-	(144,115)	-	-	266,555
Total nonoperating revenues (expenses)	<u>4,069,532</u>	<u>-</u>	<u>223,880</u>	<u>-</u>	<u>-</u>	<u>4,293,412</u>
Excess of Revenues Over Expenses Before Transfers	4,647,413	1,014,969	223,880	256,515	(130,899)	6,011,878
Transfers	1,317,968	(1,317,968)	-	-	-	-
Other Changes in Net Position	-	-	-	(160,396)	81,802	(78,594)
Increase (Decrease) in Net Position	5,965,381	(302,999)	223,880	96,119	(49,097)	5,933,284
Net Position, Beginning of Year	58,183,463	107,593	1,095,528	114,521	(58,330)	59,442,775
Net Position, End of Year	<u>\$ 64,148,844</u>	<u>\$ (195,406)</u>	<u>\$ 1,319,408</u>	<u>\$ 210,640</u>	<u>\$ (107,427)</u>	<u>\$ 65,376,059</u>

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

Independent Auditor's Report

Board of Trustees
Decatur County Memorial Hospital
Greensburg, Indiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Decatur County Memorial Hospital (Hospital), a component unit of Decatur County, Indiana, which comprise the balance sheet as of December 31, 2020, 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 June 25, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Indianapolis, Indiana
June 25, 2021