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February 17, 2023

Board of Trustees
Putnam County Hospital
1542 S. Bloomington St.
Greencastle, IN 46135

We have reviewed the report of Putnam County Hospital (Hospital), which was engaged to be audited by Blue and Co., LLC, Independent Public Accountants, for the period January 1, 2019 to December 31, 2019. Per the *Report of Independent Auditors*, due to inadequacy of accounting records related to the Hospital's long-term care services for the period December 31, 2019, Blue and Co., LLC, was unable to obtain sufficient and appropriate audit evidence to provide a basis for an opinion and accordingly did not express an opinion on the financial statements. Please refer to the Basis for Disclaimer of Opinion paragraph of the *Report of Independent Auditors* on Page 1 for further detail.

In our opinion, Blue and Co., LLC prepared the audit report in accordance with the guidelines established by the State Board of Accounts.

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

Tammy R. White

Tammy R. White, CPA
Deputy State Examiner

Putnam County Hospital

FINANCIAL STATEMENTS

AND

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2019

CPAs / ADVISORS

blue

PUTNAM COUNTY HOSPITAL

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CPAs / ADVISORS

blue

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REPORT OF INDEPENDENT AUDITORS

Board of Trustees
Putnam County Hospital
Greencastle, Indiana

We were engaged to audit the accompanying financial statements of Putnam County Hospital (the Hospital), a component unit of Putnam County, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the accompanying 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 conducting the audit in accordance with auditing standards generally accepted in the United States of America and the *Uniform Compliance Guidelines for Audits of Hospitals and State and Local Governments by Authorized Independent Public Accountants*, issued by the Indiana State Board of Accounts. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

Detailed records have not been maintained and certain prior year records and supporting data were not available for audit. Therefore, we were not able to obtain sufficient and appropriate audit evidence about the amounts at which certain assets and liabilities related to the Hospital's long-term care services are recorded in the accompanying balance sheet as of December 31, 2019 (current assets stated at approximately $27,500,000, net capital assets stated at $4,119,000, other assets stated at $1,011,000 and current liabilities stated at $26,959,000) and the amounts of operating revenues (stated at $130,410,000) and operating expenses (stated at $129,003,000) for the year then ended.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for our opinion. Accordingly, we do not express an opinion on the financial statements referred to in the first paragraph.

Board of Trustees
Putnam County Hospital
Greencastle, Indiana

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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 were unable to apply certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America because of the insufficiency of the accounting records, as discussed in the Basis for Disclaimer of Opinion paragraph. We do not express an opinion or provide any assurance on the information.

Blue & Co., LLC

Indianapolis, Indiana
December 22, 2022

REQUIRED SUPPLEMENTARY INFORMATION

This section of Putnam County Hospital's (the Hospital) annual financial statements presents background information and management's discussion and analysis (MD&A) of the Hospital's financial performance. This MD&A also includes the Hospital's blended component units, Putnam Post-Acute Holdings, LLC (PPAH), and Putnam County Pain Management Center, LLC. Please read it in conjunction with the Hospital's financial statements that follow this MD&A.

Financial Highlights

- The Hospital's total assets and deferred outflows increased approximately $7,013,000 or 9.1% during 2019. Total liabilities increased $4,627,000 or 9.3% during 2019. The Hospital's net position increased $2,386,000 or 8.9% in 2019.

- The Hospital reported operating income of approximately $2,646,000 for 2019, representing a decrease of $1,460,000 in comparison to the 2018 results.

- The Hospital added capital assets of approximately $3,878,000 during 2019. Net additions combined with depreciation expense of $2,467,000 resulted in net capital assets increasing $1,239,000 from 2018.

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 financial statements and related notes provide information about the activities and the financial position of the Hospital.

The balance sheet includes all of the Hospital's assets, deferred outflows and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Hospital creditors (liabilities).

All of the current year revenue earned and expenses incurred are accounted for in the statement of revenues, expenses and changes in net position.

Finally, the purpose of the statement of cash flows is to provide information about the Hospital's cash flows from operating activities, non-capital financing activities, capital and related financing activities, including capital additions, and investing activities. This statement provides information on the sources and uses of cash and cash equivalents and the change in cash and cash equivalents balances during the year.

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

One of the most important questions asked about the Hospital's finances is, "Is the Hospital, as a whole, better or worse off as a result of the year's activities?" The 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, deferred outflows and all liabilities using the accrual basis of accounting. 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 net position is the difference between assets and deferred outflows and liabilities and deferred inflows. It is one way to measure the Hospital's financial health, or financial position. Over time, changes in the Hospital's net position are one indicator of whether its financial health is improving or deteriorating. Consider other nonfinancial factors, however, such as changes in the Hospital's patient base and measures of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the Hospital.

Table 1 – Balance Sheets

	2019	2018	Change
Assets			
Current assets	$ 53,804,727	$ 47,642,494	$ 6,162,233
Assets whose use is limited	1,320,732	1,617,771	(297,039)
Capital assets, net	26,443,634	25,205,054	1,238,580
Other assets	721,174	609,746	111,428
Total assets	82,290,267	75,075,065	7,215,202
Deferred outflows	1,631,217	1,833,017	(201,800)
Total assets and deferred outflows	$ 83,921,484	$ 76,908,082	$ 7,013,402
Liabilities			
Current liabilities	$ 41,168,979	$ 34,367,341	$ 6,801,638
Long-term liabilities	13,411,497	15,586,128	(2,174,631)
Total liabilities	54,580,476	49,953,469	4,627,007
Net position			
Net investment in capital assets	10,954,641	7,503,539	3,451,102
Restricted	397,364	312,860	84,504
Unrestricted	17,989,003	19,138,214	(1,149,211)
Total net position	29,341,008	26,954,613	2,386,395
Total liabilities and net position	$ 83,921,484	$ 76,908,082	$ 7,013,402

Total assets and deferred outflows increased approximately $7,013,000 during 2019. The significant changes in the Hospital's assets were in current assets which increased $6,162,000 primarily related to cash and cash equivalents. Also, capital assets increased of $1,239,000 in 2019. Total liabilities increased by $4,627,000 in 2019. The significant changes included an increase in accounts payable of $3,250,000 as a result of timing. In addition, the Hospital's long-term debt and capital lease obligations decreased by $2,213,000 related to principal payments being made during the year. The Hospital's line of credit increased by $2,128,000 as draws exceeded payments during the year. Net position increased by $2,386,000 from 2018 to 2019. The increase relates to favorable operating results of $2,646,000 in 2019 offset by nonoperating revenues (expenses), mainly interest expense, of $260,000.

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

	2019	2018	Change
Operating revenues			
Net patient service revenue	$ 194,278,504	$ 172,294,293	$ 21,984,211
Rental income	100,145	105,572	(5,427)
Other operating revenue	2,185,919	3,622,629	(1,436,710)
Total operating revenues	196,564,568	176,022,494	20,542,074
Operating expenses			
Salaries, wages and benefits	27,631,023	23,511,424	4,119,599
Professional fees and contract services	122,095,338	107,238,014	14,857,324
Supplies	21,246,651	20,782,661	463,990
Depreciation and amortization	2,668,412	2,932,053	(263,641)
Other	20,276,904	17,451,627	2,825,277
Total operating expenses	193,918,328	171,915,779	22,002,549
Operating income	2,646,240	4,106,715	(1,460,475)
Nonoperating revenues (expenses)	(259,845)	(997,817)	737,972
Excess revenues over expenses	2,386,395	3,108,898	(722,503)
Other			
Distributions to non-controlling interest	-0-	(74,148)	74,148
Change in net position	2,386,395	3,034,750	(648,355)
Net position			
Beginning of year	26,954,613	23,919,863	3,034,750
End of year	$ 29,341,008	$ 26,954,613	$ 2,386,395

The Hospital's performance in 2019 was favorable with a positive return on equity of 8.1% compared to prior year of positive return of 11.3%. The decrease in operating income is the result of operating expenses increasing by approximately $22,003,000 compared to an increase in operating revenues of $20,542,000 for 2019.

Total operating revenue is comprised mainly of patient service revenue of approximately $194,279,000. Other operating revenue of $2,186,000 and rental income are the other components of operating revenue.

Expenses increased by approximately $22,003,000 between 2019 and 2018. Salaries, wages and benefits increased by $4,120,000 mainly due to additional staffing. Professional fees and contract services increased by $14,857,000 and other expenses increased by $2,825,000 over 2018, mainly due to long-term care services.

Table 3 – Statements of Cash Flows

The final required statement is the statement of cash flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, non-capital financing, capital and related financing and investing 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 balances during the reporting period?"

Cash flows data	2019	2018	Change
From operating activities	$ 9,230,739	$ 9,730,534	$ (499,795)
From non-capital financing activities	517,357	(230,541)	747,898
From capital and related financing activities	(4,659,071)	(8,492,526)	3,833,455
From investing activities	92,415	(32,327)	124,742
Change in cash and cash equivalents	$ 5,181,440	$ 975,140	$ 4,206,300

Total cash and cash equivalents increased approximately $5,181,000 in 2019. Operating activities increased cash and cash equivalents by $9,231,000 during 2019 mainly from favorable operations and timing of operating assets and liabilities. Non-capital financing activities added $517,000 in cash and cash equivalents. Capital and related financing decreased cash and cash equivalents by $4,659,000 during 2019 mainly as the result of payments made on long-term debt combined with property and asset acquisitions. Investing activities increased cash and cash equivalents of $92,000.

Total cash and cash equivalents increased approximately $975,000 in 2018. Operating activities increased cash and cash equivalents by $9,731,000 during 2018 mainly from favorable operations and timing of operating assets and liabilities. Non-capital financing activities used $231,000 in cash and cash equivalents. Capital and related financing decreased cash and cash equivalents by $8,493,000 during 2018 mainly as the result the purchase of a long-term care facility of $9,200,000 financed with $6,628,000 in new debt proceeds combined with other capital asset purchases and payments on long-term debt and capital leases. Investing activities decreased cash and cash equivalents $32,000.

Capital Assets

The change in capital assets is outlined in the following table:

	2019	2018	Change
Land	$ 2,054,423	$ 1,089,363	$ 965,060
Land improvements	329,844	329,844	-0-
Buildings and improvements	45,923,865	43,999,322	1,924,543
Equipment	23,461,252	23,536,597	(75,345)
Construction in process	1,339,503	761,217	578,286
	73,108,887	69,716,343	3,392,544
Accumulated depreciation	(46,665,253)	(44,511,289)	(2,153,964)
Capital assets, net	$ 26,443,634	$ 25,205,054	$ 1,238,580

During 2019, the Hospital invested approximately $3,878,000 in capital assets compared to $11,034,000 in 2018. Please refer to the notes to the financial statements for more detailed information on capital assets.

Debt

Total long-term debt and capital lease obligations (including current portions) decreased from approximately $17,702,000 to $15,489,000 in 2019. The primary reason for the decrease was scheduled principal payments made during the year combined with no new debt issuances. The Hospital's outstanding balance on its line of credit was $5,628,000 as of December 31, 2019 which was an increase of $2,128,000 from the end of 2018. More detailed information about the Hospital's long-term debt, capital lease obligations and line of credit is presented in the notes to the financial statements.

Sources of Revenue

During 2019, the Hospital derived substantially all of its revenue from patient service and other related activities. A significant portion of the patient service revenue is from patients that are insured by government health programs, principally Medicare and Medicaid, which are highly regulated and subject to frequent and substantial changes. Revenues from the Medicare and Medicaid programs represented 67% of the Hospital's gross revenues in both 2019 and 2018. The remaining payors include commercial and self-pay.

Economic Outlook

In March 2020, the World Health Organization declared Coronavirus (COVID-19) a pandemic. The continued spread of COVID-19, or any similar outbreaks in the future, continues to adversely impact the local, regional, national and global economies. The extent to which COVID-19 continues to impact the Hospital's operating results is dependent on the breadth and duration of the pandemic and could be affected by other factors management is not currently able to predict. Potential impacts include, but are not limited to, additional costs for responding to COVID-19, shortages of healthcare personnel, shortages of clinical supplies, increased demand for services, delays, loss of, or reduction to, revenue and investment portfolio declines.

Management believes that the health care industry's and the Hospital's operating margins will continue to be under pressure because of changes in payor mix and growth in operating expenses that are in excess of the increases in contractually arranged and legally established payments received for services rendered. Another factor that poses a challenge to management is the increasing competitive market for the delivery of health care services. The ongoing challenge facing the Hospital is to continue to provide quality patient care in this competitive environment, and to attain reasonable rates for the services that are provided while managing costs. The most significant cost factor affecting the Hospital is the increases in labor costs due to the increasing competition for quality health care workers. Uncompensated care is also a significant factor on the Hospital's margin.

Contacting Hospital Management

This financial report is designed to provide our citizens, taxpayers, patients, and other interested parties with a general overview of the Hospital's financial condition. If you have any questions about this report, you may contact the Hospital's Administrative offices at 1542 South Bloomington Street, Greencastle, Indiana 46135.

PUTNAM COUNTY HOSPITAL

BALANCE SHEET
DECEMBER 31, 2019

ASSETS AND DEFERRED OUTFLOWS	
Current assets	
Cash and cash equivalents	$ 32,522,348
Patient accounts receivable, net of allowance for uncollectible accounts of $6,110,709	19,000,038
Inventory	866,392
Prepaids and other current assets	1,415,949
Total current assets	53,804,727
Assets whose use is limited	
Held by trustee for debt service and capital	1,075,980
Internally designated	42,289
Donor restricted	202,463
Total assets whose use is limited	1,320,732
Capital assets, net	26,443,634
Other assets	721,174
Total assets	82,290,267
Deferred outflows	
Goodwill, net	1,631,217
Total assets and deferred outflows	$ 83,921,484
LIABILITIES AND NET POSITION	
Current liabilities	
Line of credit	$ 5,628,260
Current portion of long-term debt	1,682,072
Current portion of capital lease obligations	395,424
Accounts payable	17,195,420
Accrued salaries, wages, and related liabilities	6,396,300
Accrued expenses and other current liabilities	8,184,394
Estimated third-party settlements	1,687,109
Total current liabilities	41,168,979
Long-term debt, net of current portion	12,944,777
Capital lease obligations, net of current portion	466,720
Total liabilities	54,580,476
Net position	
Net investment in capital assets	10,954,641
Restricted	
Non-expendable	194,901
Donor restricted - expendable	202,463
Total restricted	397,364
Unrestricted	17,989,003
Total net position	29,341,008
Total liabilities and net position	$ 83,921,484

See Report of Independent Auditors on pages 1 and 2.
See accompanying notes to financial statements.

PUTNAM COUNTY HOSPITAL

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2019

Operating revenues	
Net patient service revenue	$ 194,278,504
Rental income	100,145
Other operating revenue	2,185,919
Total operating revenues	196,564,568
Operating expenses	
Salaries and wages	21,455,637
Employee benefits	6,175,386
Professional fees and contract services	122,095,338
Supplies	21,246,651
Insurance	767,370
Facility and equipment leases	12,812,360
Repairs and maintenance	1,180,436
Utilities	658,220
Training and education	457,304
HAF and HIP Programs	2,200,662
Depreciation and amortization	2,668,412
Other	2,200,552
Total operating expenses	193,918,328
Operating income	2,646,240
Nonoperating revenues (expenses)	
Interest expense	(869,617)
Investment return	92,415
Contributions	157,335
Other	360,022
Total nonoperating revenues (expenses)	(259,845)
Change in net position	2,386,395
Net position	
Beginning of year	26,954,613
End of year	$ 29,341,008

See Report of Independent Auditors on pages 1 and 2.
See accompanying notes to financial statements.

PUTNAM COUNTY HOSPITAL

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019

Operating activities	
Cash received from patients and third-party payors	$ 191,660,647
Cash paid for salaries, wages and benefits	(27,667,760)
Cash paid to vendors for goods and services	(157,048,212)
Other operating receipts, net	2,286,064
Net cash flows from operating activities	9,230,739
Non-capital financing activities	
Contributions and other non-capital financing activities	517,357
Capital and related financing activities	
Acquisition and construction of capital assets	(3,878,354)
Other capital asset activity	173,162
Borrowings on line of credit	2,128,260
Payments on long-term debt and capital leases	(2,212,522)
Cash paid for interest	(869,617)
Net cash flows from capital and related financing activities	(4,659,071)
Investing activities	
Investment return	92,415
Net change in cash and cash equivalents	5,181,440
Cash and cash equivalents	
Beginning of year	28,661,640
End of year	$ 33,843,080

Reconciliation of cash and cash equivalents to the consolidated balance sheet	
Cash and cash equivalents	
In current assets	$ 32,522,348
In assets whose use is limited	1,320,732
Total cash and cash equivalents	$ 33,843,080

See Report of Independent Auditors on pages 1 and 2.
See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019

Reconciliation of operating income to net cash flows from operating activities	
Operating income	$ 2,646,240
Adjustments to reconcile operating income to net cash flows from operating activities	
Depreciation and amortization	2,668,412
Provision for bad debts	7,470,926
Changes in operating assets and liabilities	
Patient accounts receivable	(8,925,326)
Inventory, prepaids and other current assets	770,646
Other assets	(111,428)
Accounts payable	3,249,883
Accrued salaries, wages, and related liabilities	(36,737)
Accrued expenses and other current liabilities	460,918
Estimated third-party settlements	1,037,205
Net cash flows from operating activities	$ 9,230,739

See Report of Independent Auditors on pages 1 and 2.
See accompanying notes to financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity

Putnam County Hospital (the Hospital) is a county facility and operates under the Indiana County Hospital Law, Indiana Code (IC) 16-22. The Hospital provides short-term inpatient, outpatient, physician and long-term health care services. The Board of County Commissioners of Putnam County appoints the Governing Board of the Hospital and a financial benefit/burden relationship exists between Putnam County (the County) and the Hospital. For these reasons, the Hospital is considered a component unit of the County.

The financial statements of the Hospital are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business-type activities of the County that is attributable to the transactions of the Hospital. They do not purport to, and do not, present the financial position of the County as of December 31, 2019 and the changes in its financial position or its cash flows for the year then ended.

Accounting principles generally accepted in the United States require that these financial statements present the Hospital and its blended component units, collectively referred to as the "primary government." The blended component units, as discussed below, are included in the Hospital's reporting entity because of the significance of their operational or financial relationships with the Hospital. Blended component units, although legally separate entities, are in substance part of the primary government's operations and exist solely to provide services for the primary government; data from these units are with data of the primary government.

Components Units

The accompanying financial statements include the accounts of the Hospital's blended component units, Putnam Post-Acute Holdings, LLC (PPAH) and Putnam County Pain Management Center, LLC (PCPMC). The Hospital is the sole member of PPAH, a separate limited liability company which owns a 94 unit / 127-bed assisted living residence and skilled nursing facility in Howard County, Indiana. The Hospital is a majority owner (51%) of PCPMC, a separate for-profit entity, organized to support the operations of the Hospital by providing pain management services for the benefit of the greater Greencastle area and surrounding communities. All significant intercompany transactions have been eliminated in the financial statements. The separate financial statements for PPAH and PCPMC may be obtained through contacting management of the Hospital.

Long-Term Care Operations

The Hospital leases the operations of certain long-term care facilities, by way of arrangements with managers of these facilities, which provide inpatient and therapy services. Generally, gross revenues from the operation of the long-term care facilities are the property of the Hospital and the Hospital is responsible for the associated operating expenses and working capital requirements. While the management and related lease agreements are in effect, the performance of all activities of the managers are on behalf of the Hospital and the Hospital retains the authority and legal responsibility for the operation of the facilities.

The Hospital entered into lease agreements with the long-term care facilities to lease the facilities managed by the respective managers. Concurrently, the Hospital entered into agreements with the managers to manage the leased facilities. As part of the agreements, the Hospital pays the managers a management fee to continue managing the facilities on behalf of the Hospital in accordance with the terms of the agreements. The agreements expire at various times through 2023. Generally, all parties involved can terminate the agreements without cause with 90 days written notice.

Use of Estimates

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

Measurement Focus and Basis of Accounting

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

Cash and Cash Equivalents

Cash and cash equivalents include deposits and investments in highly liquid debt instruments with an original maturity date of 90 days or less from the date of purchase. The Hospital maintains its cash in accounts, which at times, may exceed federally insured limits. The Hospital has not experienced any losses in such accounts. The Hospital believes it is not exposed to any significant credit risk on cash and cash equivalents.

Patient Accounts Receivable and Net Patient Service Revenue

Patient revenues and the related accounts receivable are recorded at the time services to patients are performed. The Hospital is a provider of services to patients entitled to coverage under Titles XVIII and XIX of the Health Insurance Act (Medicare and Medicaid). The Hospital is classified as Critical Access Status by Medicare and is paid for Medicare services based upon a cost reimbursement methodology. Differences between the total program billed charges and the payments received are reflected as deductions from revenue. At year-end, a cost report for hospital-based services is filed with the Medicare program computing reimbursement amounts related to Medicare patients. The difference between computed reimbursement and interim reimbursement is reflected as a receivable from or payable to the third-party programs. These programs have audited the year-end cost report filed with the Medicare program through the year ended December 31, 2018 with differences reflected as deductions from revenue in the year the cost report is settled. Amounts for unresolved cost reports are reflected in estimated third-party payor settlements on the balance sheet. During 2019, the amount recognized in the statement of revenues, expenses and changes in net position due to the differences between original estimates and subsequent revisions for the final settlement of cost reports decreased net position by approximately $271,000. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. Although these audits may result in some changes in these amounts, they are not expected to have a material effect on the accompanying financial statements.

The Hospital has entered into agreements with certain commercial carriers. Reimbursement for services under these agreements includes discounts from established charges and other payment methodologies. Patient charges under these programs, on which no interim payments have been received, are included in patient accounts receivable at the estimated net realizable value of such charges.

Management estimates an allowance for uncollectible patient accounts receivable based on an evaluation of historical losses, current economic conditions, and other factors unique to the Hospital's customer base.

Charity Care

The Hospital provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy on a sliding scale on the basis of financial need. Because the Hospital does not pursue collection of approved charity care balances, the charges are not reflected in net revenue. Rather, charges approved for charity are posted to gross revenue and subsequently written off as a charity adjustment before the resulting net patient service revenue.

Of the Hospital's total expenses reported within the statement of revenues, expenses and changes in net position, an estimated $1,331,000 arose from providing services to charity patients for 2019. The estimated costs of providing charity services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on the Hospital's expenses to gross patient service revenue.

Inventory

Inventory is valued at the lower of cost or net realizable value with cost being determined on the first-in, first-out method. Inventory consists of medical supplies and pharmaceuticals.

Other Current Assets

Other current assets consist primarily of other reimbursement receivables related to long-term care services and various other current items. These assets are classified as current as they are expected to be utilized during the next fiscal year.

Assets Whose Use is Limited

Assets whose use is limited are stated at fair value in the financial statements. These assets include investments designated by the Hospital Board for internal purposes, investments held by trustees for debt service and capital improvements and assets that are donor restricted.

These investments consist of cash and cash equivalents. Investment interest, dividends, gains and losses, both realized and unrealized are included in nonoperating revenues (expenses) in the statement of revenues, expenses and changes in net position.

Capital Assets and Depreciation

Capital assets, which include land and improvements, buildings and improvements, and equipment, are reported at historical cost. Contributed or donated assets are reported at estimated fair value at the time received. The capitalization threshold (the dollar values above which asset acquisitions are added to the capital asset accounts) is $1,000 per item, or a group of items with an aggregate cost of at least $5,000. Depreciation is calculated on the straight-line method over the estimated useful lives of capital assets which range from 3-40 years. For depreciated assets, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives is expensed as incurred and not capitalized.

Business Combinations and Deferred Outflows for Goodwill

The Hospital accounts for a business combination using the acquisition method of accounting, and accordingly, the assets of the acquired entity are recorded at estimated fair values at the date of acquisition. Deferred outflows for goodwill represent the excess of the purchase price over the fair value of assets, including amounts assigned to identifiable intangible assets, if any. Goodwill is amortized on a straight-line basis over a period of 10 years. As of December 31, 2019, the Hospital recorded goodwill of approximately $2,018,000 related to its acquisition activities with accumulated amortization of $387,000. Annual amortization is estimated at $202,000 for the years ending December 31, 2020 through 2024 and $621,000 in the years thereafter.

Net Position

The net position of the Hospital is classified into four components. (1) Net investment in capital assets represents capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. (2) Restricted non-expendable net position includes the principal portion of permanent endowments, if any, and non-controlling interests owned by external investors. (3) Restricted expendable net position includes assets that must be used for a particular purpose, as specified by creditors, grantors, or contributions external to the Hospital. (4) Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted.

Restricted non-expendable net position includes non-controlling interest, which represents the portion of net position that is owned by the investors who are external to and not included in the financial statements of approximately $195,000 as of December 31, 2019. This relates to the Hospital's blended component unit, PCPMC, in which external investors have a minority, non-controlling financial interest. The total net position activity for the controlling and non-controlling portions related to PCPMC for 2019 follows:

	Controlling interest	Noncontrolling interest	Total
Balance, beginning of year	$ 114,902	$ 110,397	$ 225,299
Net income	87,954	84,504	172,458
Balance, end of year	$ 202,856	$ 194,901	$ 397,757

Restricted Resources

The Hospital first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Statement of Revenues, Expenses and Changes in Net Position

The Hospital's statement of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, the Hospital's principal activity. Nonoperating revenues include contributions received for purposes other than capital asset acquisition, and other nonoperating activities and are reported as nonoperating revenues or expenses. Operating expenses are generally all expenses incurred to provide health care services, other than interest costs.

Grants and Contributions

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

Advertising and Community Relations

The Hospital expenses advertising and community relations costs as they are incurred. Total expense for 2019 was approximately $286,000.

Compensated Absences

The Hospital's employees earn time off at varying rates depending on years of service under separate policies for sick, vacation and personal leaves. The estimated amount of unused vacation is reported as a liability within the accrued salaries, wages, and related liabilities on the balance sheet.

Income Taxes

The Hospital is a governmental instrumentality organized under Title 16, Article 22, of the Indiana statues and, accordingly, is generally exempt from federal income tax under Section 115 of the Internal Revenue Code (IRC) of 1986. As a governmental entity under Section 115 of the IRC, the Hospital is not required to file Federal Form 990 – Return of Organization Exempt from Income Tax, which is an informational return only.

As a single member limited liability company with the Hospital as the only member, PPAH is treated as a disregarded entity and does not file federal and state income tax returns. PPAH's activity is included in the Hospital's activities as required for a disregarded entity. PCPMC is a limited liability company and profits and losses are passed through to the members. PCPMC has filed its federal and state income tax returns for periods through December 31, 2019.

These income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Hospital and its component units and recognize a tax liability if the Hospital or its component units have taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the Hospital and its component units and has concluded that as of December 31, 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements.

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.

Medical Malpractice

The Indiana Medical Malpractice Act, IC 34-18 (the Act) provides a maximum recovery of $1,650,000 for an occurrence of malpractice through June 30, 2019, and $1,800,000 thereafter. The Act requires the Hospital to maintain medical malpractice liability insurance in the amount of at least $400,000 per occurrence ($8,000,000 in the annual aggregate) through June 30, 2019. Beginning July 1, 2019, the Act requires the Hospital to maintain medical malpractice liability insurance in the amount of at least $500,000 per occurrence ($10,000,000 in the annual aggregate). The Act also requires the Hospital to pay a surcharge to the State Patient's Compensation Fund (the Fund). The Fund is used to pay medical malpractice claims in excess of per occurrence and the annual aggregate amounts as noted above, under certain terms and conditions. No accrual for possible losses attributable to incidents that may have occurred but that have not been identified has been made because the amount, if any, is not reasonably estimable. The Fund is on a claims-made basis and as long as this coverage is continuous or replaced with equivalent insurance, claims based on occurrences during its term but reported subsequently will be insured.

Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Hospital's claim experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

The Hospital is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Hospital has purchased commercial insurance for general liability and employee medical claims.

Litigation

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

Subsequent Events

The Hospital evaluated events or transactions occurring subsequent to the balance sheet date for recognition and disclosure in the accompanying financial statements through the date the financial statements were available to be issued which is December 22, 2022.

Upcoming Accounting Pronouncements

The Governmental Accounting Standards Board (the GASB) issued GASB Statement No. 87, *Leases*, which is effective for periods beginning after June 15, 2021. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

The GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is effective for periods beginning after December 15, 2020. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

The Hospital is presently evaluating the impact of these standards on its future financial statements.

2. ASSETS WHOSE USE IS LIMITED

Deposits with financial institutions in the State of Indiana at year end were entirely insured by the Federal Deposit Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution. Assets whose use is limited include:

Held by trustee for debt service and capital – Amounts deposited with a trustee and limited to used in accordance with the requirements of a trust indenture and funds from long-term debt borrowings to be expended for debt service and capital.

Internally designated – Amounts designated internally for various special purpose projects.

Donor restricted – Amounts restricted by donors which include expendable amounts based on donor stipulations.

The composition of assets whose use is limited as of December 31, 2019 follows:

Cash and cash equivalents	
Held by trustee	$ 1,075,980
Internally designated	42,289
Donor restricted	202,463
	$ 1,320,732

3. PATIENT ACCOUNTS RECEIVABLE, ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Patient accounts receivable, accounts payable and accrued expenses included as current assets and liabilities consisted of the following as of December 31, 2019:

Patient accounts receivable	
Receivable from patients and third party payors	$ 9,668,293
Receivable from Medicare	5,800,975
Receivable from Medicaid	2,109,445
Receivable from long-term care operations	14,777,522
Total patient accounts receivable	32,356,235
Contractual allowances	(7,245,488)
Allowance for uncollectible accounts	(6,110,709)
Patient accounts receivable, net	$ 19,000,038
Accounts payable and other accrued liabilities	
Payable to suppliers and other accrued expenses	$ 25,379,814
Payable to employees (including payroll taxes and benefits)	6,396,300
Total accounts payable and other accrued liabilities	$ 31,776,114

4. CAPITAL ASSETS

The following is a progression of capital assets for 2019.

	12/31/18	Additions	Retirements	Transfers	12/31/19
Land	$ 1,089,363	$ 965,060	$ -0-	$ -0-	$ 2,054,423
Land improvements	329,844	-0-	-0-	-0-	329,844
Buildings and improvements	43,999,322	1,573,791	-0-	350,752	45,923,865
Equipment	23,536,597	-0-	(485,810)	410,465	23,461,252
Construction in process	761,217	1,339,503	-0-	(761,217)	1,339,503
Total capital assets	69,716,343	3,878,354	(485,810)	-0-	73,108,887
Accumulated depreciation	(44,511,289)	(2,466,612)	312,648	-0-	(46,665,253)
Capital assets, net	$ 25,205,054	$ 1,411,742	$ (173,162)	$ -0-	$ 26,443,634

As of December 31, 2019, there were no significant outstanding commitments for capital assets.

5. LINE OF CREDIT

The Hospital had a line of credit available with First National Bank with a maximum amount for $7,000,000 which had an outstanding balance of approximately $5,628,000 as of December 31, 2019. The line of credit was at a variable interest rate of prime plus 25 basis points (5.00% as of December 31, 2019) and was secured by property and equipment with a net book value of $7,000,000. This line of credit was paid in full on the maturity date in January 2020. The line of credit matured annually in January of the next year with the most recent line of credit that matured in January 2021. The line of credit was not renewed after January 2021.

6. LONG-TERM DEBT AND CAPITAL LEASES

Long-term debt as of December 31, 2019 is as follows:

Direct borrowings	
Note payable #34199, due June 2025; fixed interest rate (3.95%), monthly principal and interest payments due in the amount of $38,000; secured by property and equipment with a net book value of $2,600,000 as of December 31, 2019	$ 2,256,749
Note payable #33860, due June 2025; fixed interest rate (3.95%), monthly principal and interest payments due in the amount of $35,000; secured by property and equipment with a net book value of $2,600,000 as of December 31, 2019	2,051,589
Note payable #41806, due November 2035; fixed interest rate (4.25%), monthly principal and interest payments due in the amount of $12,000; secured by property and equipment with a net book value of $1,670,000 as of December 31, 2019	1,666,816
Note payable #351999, due December 2021; fixed interest rate (4.25%), monthly principal and interest payments due in the amount of $16,000; secured by property and equipment with a net book value of $675,000 as of December 31, 2019	369,349
Mortgage note payable (project 073-22316) due September 2053; fixed interest rate (4.40%); monthly principal and interest payments due of $31,000; secured by property and equipment with a net book value of $6,987,000 as of December 31, 2019	6,291,188
Note payable #20005520747, due June 2021; fixed interest rate (3.30%), monthly principal and interest payments due in the amount of $8,000; secured by property and equipment with a net book value of $260,000 as of December 31, 2019	144,359
Note payable #49973, due January 2023; fixed interest rate (4.15%), monthly principal and interest payments due in the amount of $13,000; secured by property and equipment with a net book value of $870,000 as of December 31, 2019	864,514
Note payable #139787, due July 2022; fixed interest rate (2.79%), monthly principal and interest payments due in the amount of $8,000; secured by property and equipment with a net book value of $250,000 as of December 31, 2019	238,170
Note payable #139395, due April 2021; fixed interest rate (2.54%), monthly principal and interest payments due in the amount of $10,000; secured by property and equipment with a net book value of $260,000 as of December 31, 2019	155,844
Note payable #140086, due October 2022; fixed interest rate (2.74%), monthly principal and interest payments due in the amount of $13,000; secured by property and equipment with a net book value of $555,000 as of December 31, 2019	412,625
Other direct borrowings	175,646
Total direct borrowings	14,626,849
Current portion	(1,682,072)
	$ 12,944,777

The interest rates for notes payable #34199 and #33860 are reset every 60 months at prime plus 25 basis points with a floor of 3.95% and a ceiling of 7.00%. The interest rates cannot change more than 2% from the previous reset period. The most current rate reset for both notes payable was in June 2020 at 3.95% through June 2025.

The interest rates for notes payable #41806 and #351999 were amended in April 2016 to state a fixed interest rate of 4.25% through maturity dates in November 2035 and December 2021, respectively.

The mortgage note payable, held by PPAH, is HUD-insured Section 232 pursuant to Section 223(f). It was issued in August 2018 and is payable to Lument Capital, LLC.

Scheduled principal and interest payments on long-term debt for the years succeeding December 31, 2019 are as follows:

Year Ending	Direct Borrowings		
December 31,	Principal	Interest	Total
2020	$ 1,682,072	$ 588,874	$ 1,384,811
2021	1,505,338	527,486	2,032,824
2022	1,176,114	475,705	1,651,819
2023	1,049,042	432,237	1,481,279
2024	1,092,084	389,199	1,481,283
2025 - 2029	1,826,159	1,603,785	3,429,944
2030 - 2034	1,574,955	1,258,126	2,833,081
2035 - 2039	1,052,873	972,236	2,025,109
2040 - 2044	1,093,373	753,404	1,846,777
2045 - 2049	1,361,878	494,899	1,856,777
2050 - 2053	1,212,961	191,197	1,404,158
	$ 14,626,849	$ 7,687,148	$ 21,427,862

The Hospital has capital lease obligations for medical equipment that run through June 2025. Interest rates range from 2.00% to 3.98% with monthly interest and principal payments ranging from approximately $500 to $15,000. The cost of equipment under capital leases was $2,461,000 with accumulated depreciation of $1,149,000, resulting in net book value of $1,312,000 as of December 31, 2019.

The following is summary of minimum lease payments for years subsequent to December 31, 2019:

Year Ending December 31,	
2020	$ 407,632
2021	168,531
2022	137,809
2023	115,296
2024	47,757
Thereafter	23,840
	900,865
Interest	(38,721)
	$ 862,144

The following is a progression of long-term debt direct borrowings and capital lease obligations for 2019.

	12/31/18	Additions	Payments	12/31/19	Current Portion
Long-term debt	$ 16,325,361	$ -0-	$ (1,698,512)	$ 14,626,849	$ 1,682,072
Capital leases	1,376,154	-0-	(514,010)	862,144	395,424
	$ 17,701,515	$ -0-	$ (2,212,522)	$ 15,488,993	$ 2,077,496

7. PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payors that provide for reimbursement to the Hospital at amounts different from its established rates. Estimated contractual adjustments under third-party reimbursement programs represent the difference between the Hospital's billings at standard rates and amounts reimbursed by third-party payors. They also include any differences between estimated third-party reimbursement settlements for prior years and subsequent final settlements. A summary of the reimbursement arrangements with major third-party payors is as follows:

Medicare

The Hospital is a provider of services to patients entitled to coverage under Titles XVIII and XIX of the Health Insurance Act (Medicare and Medicaid). The Hospital was granted Critical Access Status by Medicare and is paid for Medicare services based upon a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at an interim rate, with final settlement determined after submission of annual cost reports. Differences between the total program billed charges and the payments received are reflected as deductions from revenue. At year-end, a cost report is filed with the Medicare program computing reimbursement amounts related to Medicare patients.

Medicaid and the Indiana Hospital Assessment Fee Program

The Hospital is reimbursed for Medicaid inpatient services under a prospectively determined rate-per-discharge and is not subject to retroactive adjustment. The differences between standard charges and reimbursement from these programs are recorded as contractual adjustments. Reimbursement for Medicaid outpatient services is based on predetermined rates, and is not subject to retroactive cost based settlements.

The Hospital participates in the State of Indiana's Hospital Assessment Fee (HAF) Program. The purpose of the HAF Program is to fund the State share of enhanced Medicaid payments and Medicaid Disproportionate Share (DSH) payments for Indiana hospitals as reflected in the HAF Program expense reported in the statement of revenues, expenses and changes in net position. Previously, the State share was funded by governmental entities through intergovernmental transfers. The Medicaid enhanced payments relate to both fee for service and managed care claims. The Medicaid enhanced payments are designed to follow the patients and result in increased Medicaid rates. On July 1, 2017, hospitals also started funding the Healthy Indiana Plan (HIP), the State's Medicaid expansion program. The payments related to the HIP Program mirror the Medicaid payments under the HAF Program but the funding includes physician, state administration, and certain non-hospital expenditures. During 2019, the Hospital recognized HAF and HIP Program expense of approximately $2,201,000, which resulted in increased Medicaid reimbursement. The HAF and HIP assessments are included in the statement of revenues, expenses and changes in net position as operating expenses. The Medicaid rate increases under the HAF and HIP Programs are included in patient service revenue in the statement of revenues, expenses and changes in net position.

As a governmental entity, the Hospital is also eligible for the Indiana Medicaid Supplemental programs including Medicaid DSH and Municipal Hospital Upper Payment Limit programs. The Hospital recognized reimbursement from these programs within net patient service revenue of approximately $1,093,000 during 2019. These programs are administered by the State of Indiana, but rely on Federal funding.

Other Payors

The Hospital also has entered into payment agreements with certain commercial insurance carriers 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.

The following is a summary of patient service revenue for 2019:

Inpatient services	$ 32,367,873
Outpatient services	65,214,135
Emergency room services	43,570,450
Long-term care services	296,370,062
Gross patient service revenue	437,522,520
Contractual allowances	(233,497,674)
Charity care	(2,275,416)
Provision for bad debts	(7,470,926)
Deductions from revenue	(243,244,016)
Net patient service revenue	$ 194,278,504

8. EMPLOYEE HEALTH BENEFITS

The Hospital is self-insured for medical and related health benefits provided to employees and their families. A stop/loss policy through commercial insurance covers individual claims in excess of $100,000 per individual per policy year, with an estimated minimum attachment point of approximately $3,494,000 (calculated as twelve times the monthly aggregate factors, times the total number of covered units) where stop loss coverage is phased in when this threshold is reached. The individual and aggregate stop/loss policy covers only health claims incurred by providers other than the Hospital. In-house claims are not covered under the individual and aggregate stop/loss. Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Claim liabilities are calculated considering the effect of inflation, recent claim settlement trends, including frequency and amounts of payouts, and other economic and social factors. Total health insurance expense for 2019 was approximately $4,074,000. Changes in the balance of claim liabilities during 2019 are as follows:

Unpaid claims	
Beginning of year	$ 380,000
Incurred claims and changes in estimates	4,073,726
Claim payments	(4,073,726)
End of year	$ 380,000

9. PENSION PLANS

The Hospital offers three pension plans to eligible employees, the Putnam County Hospital Money Purchase Pension Trust (401a Plan), the Putnam County Hospital Retirement Plan (403b Plan) and the Putnam County Hospital 457 Plan (457 Plan), collectively referred to as "the Plans". The Plans provide retirement, disability and death benefits to their participants and beneficiaries. The Plans were established by written agreements between the Hospital's Board of Trustees and the administrator of the Plans, Lincoln Financial Group (Lincoln). Information can be obtained for the Plans by contacting Lincoln.

The 401a Plan is funded through only Hospital contributions as employee contributions are not permitted. The Hospital funds the 401a Plan at 4% of eligible compensation as defined by the 401a Plan document. Expense related to the 401a Plan for 2019 was approximately $405,000, net of forfeitures. Employees are eligible to participate in the 401a Plan after completing one year of service as defined by the 401a Plan document with enrollment dates of January 1 and July 1. Vesting begins after 3 years of participation at 20% and increases 20% annually until fully vested at 7 years.

The 403b and 457 Plans are funded by employee only contributions. Therefore, the participants are fully vested at all times in their balances.

10. CONCENTRATIONS OF CREDIT RISK

The Hospital is primarily located in Green Castle, Indiana and grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The mix of gross patient accounts receivable and gross patient revenues from self-pay and third party payors as of and for the year ended December 31, 2019 was as follows:

	Receivables	Revenue
Medicare	33%	48%
Medicaid	12%	19%
Commercial and other payors	24%	30%
Self-pay payors	31%	3%
	100%	100%

11. OPERATING LEASES

The Hospital has operating leases for space and equipment that expire at various times through 2021. Expenses related to these leases approximated $65,000 for 2019. Rent expense for facilities and equipment under the long-term care leases discussed in Note 1 was approximately $13,426,000 for 2019. The long-term care leases can be terminated with 90 day notice by either the lessor or the Hospital. Annual rent expense through 2023 approximates $12,700,000 under these long-term care leases.

The Hospital also leases space to physicians and other medical providers on its main campus and at other ancillary locations. The lease agreements are generally one-year commitments that renew automatically for another year. During 2019, the Hospital recognized approximately $100,000 in revenue related to these leases. During 2020 and 2021, the Hospital expects to recognize approximately $100,000 annually in revenue related to these leases.

12. BLENDED COMPONENT UNITS

The Hospital's financial statements include the accounts of its blended components units, PPAH and PCPMC. The financial statements for PPAH are separately audited to comply with the U.S. Department of Housing and Urban Development (HUD) program under Section 232 pursuant to Section 223(f) – Mortgage Insurance for Nursing Homes, Intermediate Care Facilities, Board & Care Homes and Assisted-Living Facilities. More detailed financial information for PPAH and PCPMC may be obtained through contacting the accounting department of the Hospital. Below is condensed financial information for these entities for 2019.

	PPAH	PCPMC
Balance sheet		
Assets		
Cash	$ 512,707	$ 78,644
Accounts receivable, net	-0-	239,858
Due from Hospital	-0-	504,750
Other assets	1,128,093	-0-
Property and equipment, net	6,987,310	-0-
Total assets	8,628,110	823,252
Deferred outflows	1,631,217	-0-
Total assets and deferred outflows	$ 10,259,327	$ 823,252
Liabilities		
Accounts payable	$ 39,616	$ 45,204
Due to Hospital	225,591	380,291
Long-term debt	6,291,188	-0-
Total liabilities	6,556,395	425,495
Net position	3,702,932	397,757
Total liabilities and net position	$ 10,259,327	$ 823,252

	PPAH	PCPMC
Statement of revenues, expenses and changes in net position		
Revenues		
Net patient service revenue	$ -0-	$ 579,197
Rental income from Hospital	699,640	-0-
Total revenues	699,640	579,197
Expenses		
Salaries and wages	-0-	193,710
Depreciation and amortization	548,154	-0-
Interest	291,083	-0-
Other	222,160	213,029
Total expenses	1,061,397	406,739
Operating income (loss)	(361,757)	172,458
Nonoperating revenues	17,295	-0-
Change in net position	(344,462)	172,458
Net position		
Beginning of year	4,047,394	225,299
End of year	$ 3,702,932	$ 397,757
Statement of cash flows		
Net cash flows from		
Operating activities	$ (344,462)	$ 172,458
Capital and related financing activities	(516,163)	(145,434)
Change in cash and cash equivalents	(860,625)	27,024
Cash		
Beginning of year	1,373,332	51,620
End of year	$ 512,707	$ 78,644

13. SUBSEQUENT EVENTS

Long-Term Debt and Line of Credit

In 2020, the Hospital borrowed approximately $600,000 to purchase a building to provide additional physician services. The note payable has fixed interest of 4%, matures 15 years after issuance and is secured by real property with a book value of $600,000.

The Hospital's line of credit was closed in January 2021.

COVID-19 and Related Funding Programs

In March 2020, the World Health Organization declared Coronavirus (COVID-19) a pandemic. The continued spread of COVID-19, or any similar outbreaks in the future, may adversely impact the local, regional, national and global economies. The extent to which COVID-19 continues to impact the Hospital's operating results is dependent on the breadth and duration of the pandemic and could be affected by other factors management is not currently able to predict. Potential impacts include, but are not limited to, additional costs for responding to COVID-19, shortages of healthcare personnel, shortages of clinical supplies, increased demand for services, delays, loss of, or reduction to, revenue and investment portfolio declines. Management believes the Hospital is taking appropriate actions to respond to the pandemic, however, the full impact is unknown and cannot be reasonably estimated at the date the financial statements were available to be issued.

In 2020, Provider Relief Funds (PRF) authorized under the Coronavirus Aid, Relief, and Economic Security (CARES) Act were distributed to healthcare providers impacted by the outbreak of the COVID-19 pandemic. The Hospital received approximately $15,929,000 in PRF from the CARES Act through the date the financial statements were available to be issued. PRF amounts will be recognized to the extent the Hospital meets the terms and conditions related to COVID-19 expenses and lost revenues as outlined by the federal guidelines.

The CARES Act also allows health care providers to request advanced or accelerated payments for Medicare services. The Hospital received approximately $5,286,000 in 2020 of accelerated and advanced Medicare payments under this CARES Act provision through the date the financial statements were available to be issued. Settlement of these funds began in the second quarter of 2021.

In 2020, the Hospital received a loan from the Paycheck Protection Program (PPP) sponsored by the Small Business Administration (SBA) of approximately $4,389,000. The Hospital met the terms and conditions under PPP guidance and the loan was forgiven by the SBA during 2021.

Under the CARES Act, the Hospital qualified for the Employee Retention Credit (ERC) which is a refundable tax credit against certain employment taxes equal to 50% of the qualified wages an eligible employer pays to employees after March 12, 2020, and before January 1, 2021. Eligible employers can get immediate access to the credit by reducing employment tax deposits they are otherwise required to make. Also, if the employer's employment tax deposits are not sufficient to cover the credit, the employer may get an advance payment from the Internal Revenue Service. In 2021, the Hospital qualified for an ERC credit of approximately $4,878,000 pending federal government approval.