

Cameron Memorial Community Hospital, Inc.

Financial Statements and Supplementary Information

Years Ended September 30, 2023 and 2022



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Cameron Memorial Community Hospital, Inc.

Years Ended September 30, 2023 and 2022

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Independent Auditor's Report

Board of Directors
Cameron Memorial Community Hospital, Inc.
Angola, Indiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements (the "financial statements") of Cameron Memorial Community Hospital, Inc. (the "Hospital"), which comprise the consolidated balance sheets as of September 30, 2023 and 2022, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Hospital as of September 30, 2023 and 2022, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States ("GAAP").

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hospital and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2023, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

Wipfli LLP

Wipfli LLP
Eau Claire, Wisconsin
December 27, 2023

Cameron Memorial Community Hospital, Inc.

Consolidated Balance Sheets

September 30, 2023 and 2022

Assets	2023	2022
Current assets:		
Cash and cash equivalents	\$ 20,066,181	\$ 21,670,988
Patient accounts receivable	11,519,464	11,881,560
Other receivables	803,394	647,623
Inventories	1,586,748	1,675,504
Prepaid expenses	1,474,959	2,613,081
Total current assets	35,450,746	38,488,756
Investments	27,204,218	24,115,444
Assets limited as to use	9,420,227	3,878,866
Property and equipment - Net	36,771,337	39,015,751
Other assets:		
Right-of-use assets - Operating leases	5,952,100	-
Intangible assets and goodwill - Net	804,596	897,483
Total other assets	6,756,696	897,483
TOTAL ASSETS	\$ 115,603,224	\$ 106,396,300

Cameron Memorial Community Hospital, Inc.

Consolidated Balance Sheets

September 30, 2023 and 2022

Liabilities and Net Assets	2023	2022
Current liabilities:		
Current portion of long-term debt	\$ 987,553	\$ 960,667
Current portion of operating lease liabilities	1,209,290	-
Accounts payable	4,209,943	3,250,645
Accrued wages and benefits	5,324,743	6,391,118
Amounts payable to third-party reimbursement programs	251,485	231,096
Deferred revenue	6,018	743,489
Other	330,088	1,417,287
Total current liabilities	12,319,120	12,994,302
Long-term liabilities:		
Long-term debt - Less current portion	38,870,598	39,830,403
Operating lease liabilities - Less current portion	4,750,429	-
Total long-term liabilities	43,621,027	39,830,403
Total liabilities	55,940,147	52,824,705
Net assets:		
Without donor restriction	58,914,677	53,157,597
With donor restriction	748,400	413,998
Total net assets	59,663,077	53,571,595
TOTAL LIABILITIES AND NET ASSETS	\$ 115,603,224	\$ 106,396,300

See accompanying notes to consolidated financial statements.

Cameron Memorial Community Hospital, Inc.

Consolidated Statements of Operations and Changes in Net Assets

Years Ended September 30, 2023 and 2022

	2023	2022
Revenue:		
Net patient service revenue	\$ 98,365,196	\$ 94,836,454
Other operating revenue	7,283,231	6,805,483
Total revenue	105,648,427	101,641,937
Expenses:		
Salaries and wages	38,475,547	35,787,928
Fringe benefits	13,128,067	10,475,121
Supplies and other	45,943,778	39,013,198
Depreciation	4,764,777	5,074,503
Interest	1,345,272	1,324,269
Total expenses	103,657,441	91,675,019
Income from operations	1,990,986	9,966,918
Other income (loss):		
Contributions - Net	45,184	(145,877)
Investment income (loss)	4,614,907	(5,419,110)
Net assets released from donor restrictions	-	106,599
Gants paid to community organizations and others	(1,060,000)	(60,000)
Gain (loss) on disposal of property and equipment	166,003	(39,403)
Total other income (loss) - Net	3,766,094	(5,557,791)
Increase in net assets without donor restrictions	5,757,080	4,409,127
Change in net assets with donor restrictions:		
Contributions	334,402	117,544
Net assets released from restrictions	-	(106,599)
Increase in net assets with donor restrictions	334,402	10,945
Increase in net assets	6,091,482	4,420,072
Net assets at beginning of year	53,571,595	49,151,523
Total net assets at end of year	\$ 59,663,077	\$ 53,571,595

See accompanying notes to consolidated financial statements.

Cameron Memorial Community Hospital, Inc.

Consolidated Statements of Cash Flows

Years Ended September 30, 2023 and 2022

	2023	2022
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Change in net assets	\$ 6,091,482	\$ 4,420,072
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	4,764,777	5,074,503
Amortization of deferred financing costs	27,743	27,743
Amortization of goodwill and intangible assets	92,888	92,888
(Gain) loss on disposal of property and equipment	(166,003)	39,403
Net realized and unrealized (gain) loss on investments	3,338,670	6,670,891
Restricted contributions	(334,402)	(117,544)
Changes in operating assets and liabilities:		
Patient and other accounts receivable	206,325	(1,067,881)
Other current assets	1,226,878	(1,772,445)
Accounts payable	1,020,596	261,176
Accrued and other current liabilities	(2,153,567)	395,806
Amounts payable to third-party reimbursement programs	20,389	(7,154,473)
Deferred revenue	(737,471)	548,855
Net cash provided by operating activities	13,398,305	7,418,994
Cash flows from investing activities:		
Increase (decrease) in investments and assets limited as to use	(11,968,805)	(7,026,560)
Purchases of property and equipment	(2,589,658)	(3,168,484)
Proceeds from disposals of property and equipment	174,000	5,000
Other	7,611	-
Net cash used in investing activities	(14,376,852)	(10,190,044)

Cameron Memorial Community Hospital, Inc.

Consolidated Statements of Cash Flows (Continued)

Years Ended September 30, 2023 and 2022

	2023	2022
Cash flows from financing activities:		
Principal payments on long-term debt	\$ (960,662)	\$ (930,372)
Restricted contributions	334,402	117,544
Net cash used in financing activities	(626,260)	(812,828)
Net decrease in cash and cash equivalents	(1,604,807)	(3,583,878)
Cash and cash equivalents at beginning	21,670,988	25,254,866
Cash and cash equivalents at end	\$ 20,066,181	\$ 21,670,988
Supplemental cash flow information:		
Cash paid for interest	\$ 1,317,529	\$ 1,296,526
Property and equipment in accounts payable at year-end	11,569	72,867

See accompanying notes to consolidated financial statements.

Cameron Memorial Community Hospital, Inc.

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies

The Entity and Nature of Business

Cameron Memorial Community Hospital, Inc. (the "Hospital"), a not-for-profit organization, is a general acute care facility in Angola, Indiana with 25 licensed beds and associated ancillary service departments including outpatient services, an urgent care center, and several primary care and specialty physician offices and clinics. The Hospital provides health care services primarily in the northeast portion of Indiana.

Cameron Medical Outreach, Inc. ("CMO"), a not-for-profit organization, is a community outreach organization providing health care needs of indigent individuals, medically underserved areas, and the community as a whole. CMO earns revenue from rental and leasing arrangements and healthcare services which primarily include an assisted living facility and retail pharmacy in Angola, Indiana. The Hospital is the sole member of CMO.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Hospital and CMO, after elimination of significant intercompany accounts and transactions. The organizations are collectively referred to as the Hospital throughout the accompanying consolidated financial statements and notes to the consolidated financial statements.

Consolidated Financial Statement Presentation

The Hospital follows accounting standards set by the Financial Accounting Standards Board (FASB) Accounting Standards Codification ("ASC"). The ASC is the single source of authoritative accounting principles generally accepted in the United States of America ("GAAP") to be applied to nongovernmental entities in the preparation of consolidated financial statements in conformity with GAAP.

Use of Estimates in Preparation of Consolidated Financial Statements

The preparation of the accompanying consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that directly affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

Cash Equivalents

The Hospital considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents, excluding amounts included in assets limited as to use.

Cameron Memorial Community Hospital, Inc.

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Patient Accounts Receivable and Credit Policy

Patient accounts receivable is reported at the amount that reflects the consideration to which the Hospital expects to be entitled, in exchange for providing patient care services. Patient accounts receivable are recorded in the accompanying consolidated balance sheets net of contractual adjustments and implicit price concessions which reflects management's estimate of the transaction price. The Hospital estimates the transaction price based on negotiated contractual agreements, historical experience, and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions and is recorded through a reduction of gross revenue and a credit to patient accounts receivable. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change.

The Hospital does not have a policy to charge interest on past due accounts.

Inventories

Inventory consists mainly of pharmaceuticals and medical supplies and is stated at the lower of cost, determined using the first-in, first-out (FIFO) method, or net realizable value.

Investments, Assets Limited As To Use, and Investment Income (Loss)

Investments, including assets limited as to use, are measured at fair value in the accompanying consolidated balance sheets.

Assets limited as to use consist of assets designated by the Board of Directors for future capital improvements, over which the Board of Directors retains control and may at its discretion subsequently be used for other purposes, and amounts restricted by donors.

Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in nonoperating income and included in revenue in excess of expenses unless the income or loss is restricted by donor or law. Realized gains and losses are determined by specific identification.

The Hospital monitors the difference between the cost and fair value of its investments. A decline in market value of an individual investment security below cost that is deemed to be other-than temporary results in an impairment and the Hospital reduces the investment's carrying value to fair value. A new cost basis is established for the investment and any impairment loss is recorded as a realized loss in investment income.

Cameron Memorial Community Hospital, Inc.

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

The Hospital measures fair value of its financial instruments using a three-tier hierarchy which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Hospital has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets in inactive markets;
- Inputs, other than quoted prices, that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The assets or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

Property, Equipment and Depreciation

Property and equipment acquisitions are recorded at cost or, if donated, market value at the date of donation. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Leasehold improvements are amortized over the shorter period of the estimated useful life or the remaining term of the lease. Estimated useful lives of property and equipment range from 5 to 50 years for buildings and improvements and 3 to 20 years for fixed equipment.

Cameron Memorial Community Hospital, Inc.

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Property, Equipment and Depreciation (Continued)

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support and are excluded from revenue in excess of expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Hospital reports expirations of donor restrictions when the donated or acquired long-lived assets are placed into service.

Maintenance and repair costs are charged to expense as incurred. Gains and losses on disposition of property and equipment are reflected in other income (loss).

Leases

The Hospital leases property and equipment under operating lease arrangements. The Hospital determines whether an arrangement is a lease at inception. For leases with terms greater than 12 months, the Hospital records related right-of-use ("ROU") assets and lease liabilities at the present value of lease payments over the term. Leases may include rental escalation clauses and options to extend or terminate the lease that are factored into the determination of lease payments when appropriate. The Hospital does not separate lease and non-lease components of contracts, when applicable. In cases when the Hospital's lease arrangement or agreement did not provide an implicit rate stated in the arrangement or agreement, the current risk-free rate was applied based on the information available at commencement date of the lease in determining the present value of lease payments.

Operating leases are included in ROU assets, current operating lease obligations, and long-term operating lease obligations in the accompanying consolidated statements of financial position. Operating lease expense is recognized on a straight-line basis over the lease term and is included in supplies and other expenses in the accompanying consolidated statements of operations and changes in net assets.

Finance leases are included in property and equipment and long-term debt in the accompanying consolidated balance sheets. Property and equipment under finance lease obligations are amortized on the straight-line method over the lease term or the estimated useful life of the equipment, whichever period is shorter. Such amortization is included with depreciation in the accompanying consolidated statements of operations and changes in net assets.

Impairment of Long-Lived Assets

The Hospital evaluates the recoverability of its long-lived assets, which consist primarily of property and equipment with estimated useful lives, whenever events or changes in circumstance indicate that the carrying value may not be recoverable. If the recoverability of these assets is unlikely because of the existence of factors indicating impairment, an impairment analysis is performed using a projected undiscounted cash flow method. Management must make assumptions regarding estimated future cash flows and other factors to determine the fair value of these respective assets. If the carrying amounts of the assets exceed their respective fair values, the carrying value of the underlying assets would be adjusted to fair value and an impairment loss would be

Cameron Memorial Community Hospital, Inc.

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Impairment of Long-Lived Assets (Continued)

recognized. During 2023 and 2022, the Hospital determined that no evaluations of recoverability were necessary.

Intangible Assets

The intangible assets included in the accompanying consolidated financial statements include both intangible assets and goodwill.

Goodwill represents the excess of the total cost of an acquisition over the fair value of the underlying identifiable net assets at the date of an acquisition. Goodwill purchased by the Hospital relates to purchases of the operations of clinical practices. Starting in 2022, the Hospital elected to amortize the previously acquired goodwill over a ten year period of time. Accumulated amortization of the goodwill totaled approximately \$177,000 and \$89,000 at September 30, 2023 and 2022, respectively.

The Hospital also had previously purchased intangible assets of approximately \$108,000 related to a clinic practice acquisition, which are being amortized over a period of 25 years starting in 2021. Accumulated amortization was approximately \$67,000 and \$62,000 at September 30, 2023 and 2022, respectively.

Both goodwill and the intangible assets are reviewed at least annually for impairment. No impairment was noted in 2023 or 2022.

Cameron Memorial Community Hospital, Inc.

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Financing Costs

Deferred financing costs represent costs incurred in connection with the issuance of long-term debt. Such costs are amortized over the term of the respective debt. The deferred financing costs are classified with long-term debt and are amortized using over the respective term of the debt issues.

Net Assets with Donor Restrictions

Net assets without donor restrictions consist of investments and otherwise amounts that are available for use in carrying out the mission of the Hospital not subject to donor-imposed stipulations and include those expendable resources which have been designated for special use by the Board of Directors. Net assets with donor restrictions are those whose use by the Hospital has been limited by donors to a specific time period, purpose, or have been restricted by donors to be maintained by the Hospital in perpetuity.

Net Patient Service Revenue

Net patient service revenue is reported at the amount that reflects the consideration to which the Hospital expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Hospital bills the patients and third-party payors several days after the services are performed and/or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided. Revenue from performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. Generally, for the majority of patient care services provided in or by the Hospital the performance obligation is satisfied as the patient simultaneously receives and consumes the benefits provided as the services are performed and recognition of the obligation over time yields the same result as recognizing the obligation at a point in time. The Hospital believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

The Hospital uses a portfolio approach to account for categories of patient contracts as a collective group rather than recognizing revenue on an individual contract basis. The nature, amount, timing and uncertainty of revenue and cash flows are affected by several factors that the Hospital considers in its recognition of revenue. Following are some of the factors considered:

- Payors (for example, Medicare, Medicaid, managed care, other insurances, etc.) have different reimbursement/payment methodologies
- Length of the patient's service/episode of care (i.e. inpatient, outpatient, emergency, clinic, etc.)
- Geography of the service location

Cameron Memorial Community Hospital, Inc.

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Net Patient Service Revenue (Continued)

- Organization's line of business that provided the service (i.e. hospital, clinics, etc.)

The Hospital determines the transaction price, which involves significant estimates and judgement, based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Hospital's policy, and implicit price concessions provided to patients. The Hospital determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policy, and historical experience. The Hospital determines its estimate of implicit price concessions based on its historical collection experience for each patient portfolio based on payor class and service type.

The Hospital has agreements with third-party payors that typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Hospital Services:

- Medicare: The Hospital is designated as a critical access hospital (CAH). As such, all inpatient, swing bed, and outpatient hospital services are paid based on a cost-reimbursement methodology, except for certain types of laboratory, radiology, and professional services provided to Medicare beneficiaries, which are reimbursed on prospectively determined fee schedules.
- Medicaid: The Hospital is a provider of services to patients entitled to coverage under Title XIX (Medicaid) of the Health Insurance Act. The Hospital is reimbursed for Medicaid inpatient services under a prospectively determined rate-per-discharge and Medicaid outpatient services based on a fixed price per clinical unit of service. Differences between the total program billed charges and the payments received are reflected as deductions from revenue. There is no cost settlement for either of the inpatient or outpatient programs.
- Other: Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges, prospectively determined daily rates, and fee schedules.

Clinic Services:

- Professional services to clinic patients are paid primarily under arrangements which include prospectively determined rates per visit or procedure or discounts from established charges.
- Certain physician and professional services rendered to Medicare and Medicaid beneficiaries in certain locations of the Hospital's clinics qualify for reimbursement as Medicare- and Medicaid-approved rural health clinic services. Qualifying services are reimbursed based on a cost-reimbursement methodology, with retrospective cost-settlement being applicable only to Medicare patients in these locations. All other physician and professional services rendered to Medicare and Medicaid beneficiaries are paid based on prospectively determined fee schedules.

Cameron Memorial Community Hospital, Inc.

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Net Patient Service Revenue (Continued)

The Hospital also participates in the State of Indiana's Hospital Assessment Fee ("HAF") and Healthy Indiana Plan ("HIP") Programs. The purpose of the HAF Program is to fund the State of Indiana's share of enhanced Medicaid payments to hospitals and Medicaid Disproportionate Share Hospital payments. Previously, the State's 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. Hospitals also fund 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 2023 and 2022, the Hospital recognized HAF and HIP Program expense of approximately \$4,277,000 and \$2,686,000, respectively, which resulted in increased Medicaid reimbursement. The HAF and HIP Program expense is included in other expenses and the associated increase in Medicaid reimbursement is included in net patient service revenue in the accompanying consolidated statements of operations and changes in net assets.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. Because of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Hospital's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims, or penalties would have upon the Hospital. The Centers for Medicare and Medicaid Services (CMS) uses recovery audit contractors (RACs) to search for potentially inaccurate Medicare payments that may have been made to health care providers and that were not detected through existing CMS program integrity efforts. Once the RAC identifies a claim it believes is inaccurate, the RAC makes a deduction from or addition to the provider's Medicare reimbursement in an amount estimated to equal the overpayment or underpayment. The Hospital has not been notified by the RAC of any potential significant reimbursement adjustments. In addition, the contracts the Hospital has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Hospital's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in the transaction price, were not significant in 2023 and 2022. Medicare cost reports have been settled through September 30, 2020.

Cameron Memorial Community Hospital, Inc.

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Net Patient Service Revenue (Continued)

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Hospital also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. The Hospital estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense. Bad debt expense for the years ended September 30, 2023 and 2022, was not significant.

Consistent with the Hospital's mission, care is provided to patients regardless of their ability to pay. Therefore, the Hospital has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Hospital expects to collect based on its collection history with those patients. The Hospital's policy is to provide a 39% discount from established charges to uninsured patients. This policy did not change in 2023 and 2022.

The promised amount of consideration from patients and third-party payors have not been adjusted for the effects of a significant financing component due to the Hospital's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less. However, the Hospital does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract other than in the cases of sales of some of the long-term payment agreements.

The Hospital previously entered into an arrangement with an unrelated party and sold certain patient accounts receivable with long-term payment agreements to the unrelated party. When sales of patient accounts receivable are completed, payment plans are established through the unrelated party. The payment plans offer 0% interest for terms of up to 12 months and 8% interest for terms ranging from 13 to 60 months. Any interest earned under the payment plans is retained by the unrelated party. The contract for the sale of the patient accounts is considered executed when a patient remits their initial payment to the unrelated party and then at that time, the unrelated party purchases in cash the associated patient account receivable, with a recourse option in event of default, from the Hospital for either 86% or 80% of the balance (86% for 12–36 month loans and 80% for 37–60 month loans). The Hospital also then deposits 10% of the purchase into an escrow account to provide collateral protection for any potential defaults of account as the sale of the accounts receivable includes a recourse clause.

Cameron Memorial Community Hospital, Inc.

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Net Patient Service Revenue (Continued)

As of September 30, 2023 and 2022, the escrow account related to the recourse obligation previously described was approximately \$104,000 and \$80,000, respectively, and is included within cash in the accompanying consolidated balance sheets. As of September 30, 2023 and 2022, total patient accounts outstanding with recourse held by the unrelated party were \$1,819,000 and \$3,437,000, respectively. Based on default history, term length, and other factors unique to the healthcare industry, the Hospital estimated and recorded a recourse obligation of \$172,000 and \$301,000 as of September 30, 2023 and 2022, respectively, which is included in other current liabilities in the accompanying consolidated balance sheets.

All incremental customer contract acquisition costs are expensed as they are incurred as the amortization period of the asset that the Hospital otherwise would have recognized is one year or less in duration, including establishment of the estimated recourse obligation based on past historical experience as noted above.

Charity Care

The Hospital provides care to patients who meet criteria under its financial assistance policy without charge or at amounts less than established rates. Such amounts determined to qualify as charity care are not reported as net patient service revenue.

The estimated cost of providing care to patients under the Hospital's financial assistance policy is calculated by multiplying the ratio of cost to gross charges for the Hospital times the gross uncompensated charges associated with providing charity care.

Retail Pharmacy Services

The Hospital operates a retail pharmacy in Angola, Indiana primarily for the convenience of its patients and area residents. Pharmaceuticals, supplies, and other services provided to retail pharmacy patients are primarily paid primarily under arrangements which include a markup based on average wholesale prices, fee schedules, or established prices above the cost of the pharmaceutical services, supplies, or services. Generally the contract rate or amount of collection for pharmaceutical services, supplies, or other services is determined at the point of sale in the retail pharmacy setting.

Revenue derived from retail pharmacy sales is included in other operating revenue in the accompanying consolidated statements of operations and changes in net assets and totaled approximately \$3,243,000 and \$2,412,000 for the years ended September 30, 2023 and 2022, respectively.

Cameron Memorial Community Hospital, Inc.

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Assisted Living Services

The Hospital also operates an assisted living facility in Angola, Indiana, which leases apartments under cancellable month-to-month lease terms. The facility provides room and board and nursing care to patients who meet certain criteria for admission.

Revenue derived from operations of the assisted living facility is included in other operating revenue in the accompanying consolidated statements of operations and changes in net assets and totaled approximately \$1,480,000 and \$1,221,000 for the years ended September 30, 2023 and 2022, respectively.

Deferred Revenue

Grants and fees are recognized as revenue in the year related expenditures are incurred. Funds received prior to providing the service are recorded as deferred revenue.

Grants and Contributions

Contributions are considered available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give cash and other assets are accrued at estimated fair values at the date each promise is received. The gifts are reported as donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, with donor restricted net assets are reclassified as net assets without donor restriction and reported as an increase in net assets without donor restriction. Donor-restricted contributions whose restrictions are met within the same year as received are reported as without donor restricted contributions. Receipts of contributions, which are conditional, are reported as liabilities until the condition is eliminated or the contributed assets are returned to the donor. The Hospital also evaluates whether a contribution is unconditional, or conditional based on the absence or presence of barriers and any right of return provisions.

Advertising Costs

Advertising costs are expensed as incurred.

Income Taxes

The Hospital and CMO are not-for-profit corporations and have been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code (the "Code"). As such, the Hospital and CMO are generally exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Hospital and CMO are also exempt from state income taxes on related income under similar state laws.

Cameron Memorial Community Hospital, Inc.

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Real Estate Taxes

The majority of real estate owned by the Hospital is exempt from real estate taxes by the State of Wisconsin and its political subdivisions. The Hospital is responsible for paying real estate taxes on its assisted living facility and a portion of its medical office building facilities.

Subsequent Events

Subsequent events have been evaluated through December 27, 2023, which is the date the consolidated financial statements were available to be issued.

New Accounting Pronouncement

In February 2016, FASB issued Accounting Standards Update ("ASU") No. 2016-02, *Leases* (Topic 842). This ASU modifies lease accounting to increase transparency and comparability by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing information. The most significant change for lessees will be the recognition of both a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term for those leases classified as operating leases under current GAAP. Certain accounting policy elections are permitted for leases with terms of 12 months or less. FASB ASC Topic 842, *Leases*, supersedes current lease requirements in FASB ASC Topic 840, *Leases*. The Hospital has elected to adopt and apply this accounting pronouncement effective October 1, 2022, and applied the adoption of this pronouncement using a modified retrospective approach. The Hospital elected to utilize practical expedients made available, including the package of practical expedients not to reassess whether a contract is or contains a lease and initial direct costs for any existing leases. The Hospital did elect not to reassess whether a lease was an operating or finance lease based on the current terms within the lease agreements. The primary effect of this ASU was to record right-of-use assets and related obligations of approximately \$2,264,000 for operating leases in the accompanying consolidated balance sheets at October 1, 2022, which existed at this date. Adoption of this standard did not have a material impact on the results of operations reported in the accompanying consolidated statements of operations and changes in net assets, and had no impact on the accompanying consolidated statements of cash flows.

Cameron Memorial Community Hospital, Inc.

Notes to Consolidated Financial Statements

Note 2: COVID-19

Starting in March 2020, the nation in general, and healthcare-related entities specifically, have been faced with a global pandemic. As healthcare entities prepared for the crisis, operational changes were made to delay routine visits and elective procedures and reevaluate the entire care delivery model to care for patient needs, specifically those affected by COVID-19. These operational changes continued and adjustments were made in operations and business plans throughout the pandemic. The declared public health emergency ended in May 2023 related to the COVID-19 pandemic, and even with this ending the complete financial impact on the economy in general and healthcare-related entities specifically still remains undeterminable at this time. Management of the Hospital continues to note that both operational performance and cash flows for healthcare-related entities have been and will continue to be impacted into the future even though the declared public health emergency period and pandemic have ended.

The federal and state governments, as well as other agencies, have been assisting many healthcare organizations to prevent significant financial constraints by providing supplemental payment programs in the forms of distributions which are intended to help in offsetting lost revenues as well as the cost of staffing, supplies, and equipment from treating patients impacted by or preparing for the pandemic's healthcare needs.

Through September 30, 2023, the Hospital received approximately \$8,740,000 in funding from these programs between 2020, 2021, and 2022. The Hospital recognized approximately \$859,000 and \$2,065,000 as a component of other operating revenue based on the current terms and conditions of the programs in the accompanying consolidated statements of operations and changes in net assets during the years ended September 30, 2023 and 2022, respectively. The Hospital had previously recognized approximately \$3,312,000 and \$2,504,000 as other operating revenue based on the terms and conditions of the program during the years ended September 30, 2020 and 2021, respectively. Funds unexpended at each respective year end which may be utilized in subsequent years are included in deferred revenue in the accompanying consolidated balance sheets. Funding was received from multiple sources, including but not limited to approximately \$8,481,000 of provider relief funds from the U.S. Department of Health and Human Services ("HHS") Coronavirus Aid, Relief, and Economic Security ("CARES") and American Rescue Plan ("ARP") Acts and \$259,000 in other funding from the State of Indiana and other sources received related to COVID-19 assistance.

The Hospital also received approximately \$6,971,000 of accelerated payments from the Medicare program in 2020. The Medicare accelerated payments are considered to be an advance of funds which would have been paid to the Hospital in 2021 and 2022, and were repaid to the Medicare program between 2021 and 2022. The Hospital repaid approximately the remaining \$5,683,000 in these advanced funds during the year ended September 30, 2022 which was still not repaid at September 30, 2021. All amounts have been repaid to the Medicare program at September 30, 2022.

These funds are subject to various financial and compliance guidelines for intended uses as published by the federal and state governments. Management is continuing to monitor compliance with the terms and conditions of the Provider Relief Fund as new guidance and clarification is released from HHS, the state of Indiana, and other agencies. If the Hospital is unable to attest to or comply with current or future terms and conditions as more information becomes available, the Hospital's ability to retain some or all of the distributions received may be impacted.

Cameron Memorial Community Hospital, Inc.

Notes to Consolidated Financial Statements

Note 3: Liquidity and Availability of Financial Resources

The Hospital does not have a formal liquidity policy but generally strives to maintain financial assets in liquid form such as cash and cash equivalents for at least approximately three to six months of operating expenses. Other funds, included in assets limited as to use in the accompanying consolidated balance sheets, are considered available for operational or capital needs, except for investments with restrictive redemption requirements. Occasionally, the Board of Directors designates a portion of operating surplus to be appropriated at its discretion for future operational initiatives and capital expenditures. These funds, at the discretion of the Board of Directors, could be released immediately or sold and redeemed prior to their maturity and are not considered available under the Hospital's general liquidity management. At September 30, 2023 and 2022, the balance of these funds was \$9,142,078 and \$3,634,483, respectively. The Hospital also has unrestricted long-term investments which are primarily held within an investment portfolio which are also available for use for the stated operating and capital expenditure purposes described above. The total of unrestricted long-term investments were \$27,204,218 and \$24,115,444 at September 30, 2023 and 2022, respectively. The long-term investments include a debt reserve requirement to maintain the account at a specified balance as required under agreements with the U.S. Department of Agriculture as described in Note 8.

Financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled debt service payments, and capital items, were as follows:

	2023	2022
Cash and cash equivalents	\$ 20,066,181	\$ 21,670,988
Patient accounts receivable	11,519,464	11,881,560
Other receivables	803,394	647,623
Total financial assets available for operations	32,389,039	34,200,171
Available line of credit (See Note 7)	5,000,000	5,000,000
Total financial assets and liquidity resources available for operations	\$ 37,389,039	\$ 39,200,171

Patient accounts receivable becomes available as an available resource to the Hospital generally as operating cash as it is billed and collected based on the policies and procedures described in Note 1, and its opening balance at October 1, 2021 was \$10,803,145.

Cameron Memorial Community Hospital, Inc.

Notes to Consolidated Financial Statements

Note 4: Investments, Assets Limited As To Use, and Investment Income (Loss)

Investments and assets limited as to use comprised the following, at September 30:

	2023	2022
Money market funds	\$ 548,356	\$ 1,541,591
Mutual Funds	26,896,316	26,452,719
Alternative investments - Portfolio funds	3,911,071	-
US and State Government Bonds	5,268,702	-
Totals	\$ 36,624,445	\$ 27,994,310

Assets limited as to use were designated or restricted for the following purposes as of September 30:

	2023	2022
Designated by the Board of Directors for capital improvements	\$ 9,142,078	\$ 3,634,483
Donor restricted funds	278,149	244,383
Totals	\$ 9,420,227	\$ 3,878,866

Cameron Memorial Community Hospital, Inc.

Notes to Consolidated Financial Statements

Note 4: Investments, Assets Limited As To Use, and Investment Income (Loss)

(Continued)

Total investment income (loss), net of investment fees, is comprised of the following for the years ended September 30:

	2023	2022
Interest and dividends - Net of investment expenses	\$ 1,276,237	\$ 1,251,782
Net realized gain (loss) on investments	(76,269)	(1,041,080)
Net unrealized gain (loss) on investments	3,414,939	(5,629,812)
Totals	\$ 4,614,907	\$ (5,419,110)

Management assesses individual investment securities as to whether declines in market value are temporary or other than temporary. In assessing an issuer's financial condition, management evaluates various financial indicators (examples: the financial position and near term prospects of the issuer, conditions in the issuer's industry, liquidity of the investment, industry analysts' reports, and any recent downgrades of the issuer by a rating agency). The length of time and extent to which the fair value of the investment is less than cost and the Hospital's ability and intent to retain the investment to allow for any anticipated recovery of the investment's fair value are key components as to whether management deems declines in fair value as temporary or other than temporary. If declines are determined to be other than temporary, the Hospital records a realized loss in investment income. Management reviewed the investment portfolio at September 30, 2023 and 2022, and determined that all securities with a decline in value were not deemed other than temporary declines in value and, as such, there were no impairment losses recognized in the investments held at September 30, 2023 and 2022.

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Because of the level of risk associated with certain investments, it is reasonably possible that changes in the values of certain investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated financial statements.

Cameron Memorial Community Hospital, Inc.

Notes to Consolidated Financial Statements

Note 5: Fair Value Measurements

The following is a description of the valuation methodologies used for assets measured at fair value:

Money market funds are valued using a net asset value (NAV) of \$1.00. Mutual funds held by the Hospital are open-end mutual funds that are registered with the Securities and Exchange Commission. The funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Hospital are deemed to be actively traded. Fixed income, primarily debt securities in form of corporate bonds, are primarily valued using quotes from pricing vendors for identical or similar assets based on recent trading activity and other observable market data. Alternative investments are reported using their NAV as a practical expedient or using the Hospital's proportional share of the underlying investments as reported by the investment issuer. These funds are made up of several underlying managers, each of whom manages their own portfolio. In substantiating the reasonableness of the pricing of alternative investments, management evaluates a variety of factors including recently executed transactions, economic conditions, industry and market developments, and overall credit ratings. In accordance with ASC 820-10, *Fair Value Measurements and Disclosures*, alternative investments that are measured using NAV as a practical expedient have not been classified in the fair value hierarchy.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Hospital believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Cameron Memorial Community Hospital, Inc.

Notes to Consolidated Financial Statements

Note 5: Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, the Hospital's assets which are included in assets limited as to use and investments in the accompanying consolidated balance sheets, excluding cash and cash equivalents:

As of September 30, 2023	Total Assets at Fair Value	<u>Recurring Fair Value Measurements Using</u>			NAV
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	
Money market funds	\$ 548,356	\$ -	\$ 548,356	\$ -	-
U.S. and State Government Bonds	5,268,702	-	5,268,702	-	-
Mutual funds - Equity and fixed income securities	26,896,316	26,896,316	-	-	-
Alternative investments - Portfolio funds (valued using NAV as practical expedient)	3,911,071	-	-	-	3,911,071
Total	\$ 36,624,445	\$ 26,896,316	\$ 5,817,058	\$ -	\$ 3,911,071

As of September 30, 2022	Total Assets at Fair Value	<u>Recurring Fair Value Measurements Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Money market funds	\$ 1,541,591	\$ -	\$ 1,541,591	-
Mutual funds - Equity and fixed income securities	26,452,719	26,452,719	-	-
Total	\$ 27,994,310	\$ 26,452,719	\$ 1,541,591	\$ -

Assets included in the fair value measurements tables for 2023 and 2022 above include all investments and assets limited as to use described in Note 4.

Cameron Memorial Community Hospital, Inc.

Notes to Consolidated Financial Statements

Note 5: Fair Value Measurements (Continued)

The following table presents additional information about the Hospital's level 3 investments and investments whose fair value is estimated using the reported NAV at September 30, 2023:

	Fair Value - 2023	Unfunded Commitments - 2023	Redemption Frequency	Redemption Notice Period	Lock-up Period
Alternative investments:					
Portfolio (a)	\$ 1,852,965	\$ -	Monthly	N/A	N/A
Portfolio (b)	2,058,106	-	Daily	N/A	N/A
Totals	\$ 3,911,071	\$ -			

(a) A limited partnership investing in pooled investment accounts, which include investments in equity securities of U.S. and non-U.S. issuers. The goal of the partnership is to provide long-term total return from the investments in the funds.

(b) A limited partnership investing in pooled investment accounts, which include investments in equities and equity-related securities that are tied to a number of countries throughout the world. The goal of the partnership is to provide long-term capital growth in value of the investments in the funds.

Cameron Memorial Community Hospital, Inc.

Notes to Consolidated Financial Statements

Note 6: Property and Equipment - Net

A summary of property and equipment by major categories is as follows:

	2023	2022
Land	\$ 2,019,703	\$ 2,019,703
Buildings and improvements	67,727,750	67,498,427
Fixed equipment	21,469,144	19,993,743
Total property and equipment	91,216,597	89,511,873
Less - Accumulated depreciation	(55,340,734)	(50,766,059)
Net depreciated value	35,875,863	38,745,814
Construction in progress	895,474	269,937
Property and equipment - Net	\$ 36,771,337	\$ 39,015,751

Construction in progress at September 30, 2023, primarily relates to initial planning costs related to an Education Center construction project as well as beginning costs of a replacement linear accelerator in the Hospital's cancer center. The Education Center project has an estimated completion cost of approximately \$11,000,000 at September 30, 2023 and is anticipated to be completed in November 2024. The linear accelerator project has an estimated completion cost of approximately \$4,000,000 at September 30, 2023 and is anticipated to be completed in December 2024.

Note 7: Line of Credit

The Hospital has a \$5,000,000 revolving bank line of credit expiring May 1, 2024. As of September 30, 2023 and 2022, there was no outstanding balance. The line of credit carries an interest rate, when the line is utilized, of the prime rate as published in the Wall Street Journal, plus 0.50%. The line of credit is unsecured.

Cameron Memorial Community Hospital, Inc.

Notes to Consolidated Financial Statements

Note 8: Long-Term Debt

Long-term debt consisted of the following at September 30:

	2023	2022
United States Department of Agriculture ("USDA") Direct Loan dated January 2016 with a term of 40 years at a fixed rate of 3.125% maturing in January 2056.	\$ 32,985,232	\$ 33,565,194
Farmers & Merchants State Bank ("Farmers & Merchants") loan dated December 2014, guaranteed by USDA, with a fixed interest rate of 3.10% maturing in December 2039.	6,898,227	7,218,681
Farmers & Merchants loan dated December 2014 with a variable interest rate of 2.88% as of September 30, 2022 that matures in December 2039. The variable interest rate is set at prime plus .5% changed quarterly with a floor of 2.75% and ceiling of 5.00%. This loan is under a guaranteed loan program with the USDA.	750,643	786,254
Other long-term debt	85,118	109,753
Totals	40,719,220	41,679,882
Less - Current portion	(987,553)	(960,667)
Less - Unamortized debt issuance costs	(861,069)	(888,812)
Long-term portion	\$ 38,870,598	\$ 39,830,403

The Hospital granted a security interest in its revenues and a mortgage on substantially all of its real property in order to secure obligations issued under the Master Trust Indenture related to the USDA Direct Loan and the Farmers & Merchant's bank loans. In addition to various financial covenants, the Hospital has agreed within the Master Trust Indenture that it will not permit any lien or security interest on the Hospital's property and equipment other than certain permitted encumbrances.

In addition to certain financial and restrictive covenants under the terms of the Master Trust Indenture, loan agreements, and USDA Rural Development loan agreement, the Hospital is required to fund a reserve in a bank account reserve with monthly deposits of \$13,917 toward the annual debt service requirement until the total amount on deposit equals or exceeds approximately \$1,670,000. Funding was required to start in the year following the completion of the construction projects that were financed by the USDA loan and loan guarantee programs. The USDA approved the designation of a portion of the Hospital's existing operating reserve accounts, included in cash and cash equivalents and investments, in the accompanying consolidated balance sheets to meet these reserve requirements.

Cameron Memorial Community Hospital, Inc.

Notes to Consolidated Financial Statements

Note 8: Long-Term Debt (Continued)

Scheduled principal payments on long-term debt, including current portions, are summarized as follows at September 30, 2023:

2024	\$	987,553
2025		1,001,228
2026		1,032,868
2027		1,065,507
2028		1,099,177
Thereafter		35,532,887
Total		\$ 40,719,220

Note 9: Leases

The Hospital has operating and finance leases primarily for radiology and other patient care equipment, as well as a medical office building which also houses retail pharmacy and hospital administrative functions, and two clinic buildings. The leases have remaining lease terms at September 30, 2023, ranging from three months to 62 months, some of which may be extended.

Lease Type	Classifications	Amount
Operating lease costs (including fixed and variable lease costs)	Supplies and other expenses	\$ 1,951,104
Operating lease costs	Interest expense	51,294
Finance lease amortization costs	Depreciation expense	20,374
Finance lease interest costs	Interest expense	2,006
Total		\$ 2,024,778

Rent and lease expense, included in supplies in the accompanying consolidated statement of operations and changes in net assets for the year ended September 30, 2022 was \$1,931,534.

Cash paid for amounts included in the measurement of lease liabilities for the year ended September 30, 2023, were as follows

Operating cash flows used by operating leases	\$	2,002,398
Operating cash flows used by finance leases		2,006
Financing cash flows used by finance leases		20,573
Total finance lease liabilities		\$ 2,024,977

Cameron Memorial Community Hospital, Inc.

Notes to Consolidated Financial Statements

Note 9: Leases (Continued)

The average lease terms and discount rates at September 30, 2023, are as follows:

	Years
Weighted-average remaining lease term - Finance leases	0.83
Weighted-average remaining lease term - Operating leases	4.60
Weighted-average discount rate - Finance leases	6.80 %
Weighted-average discount rate - Operating leases	4.14

Maturities of lease liabilities are as follows as of September 30, 2023:

	Operating Leases	Finance Leases
2024	\$ 1,361,431	\$ 18,816
2025	1,304,171	-
2026	1,195,579	-
2027	1,211,098	-
2028	1,224,304	-
Thereafter	295,800	-
Total lease payments	6,592,383	18,816
Less imputed interest	(632,664)	(574)
Total	\$ 5,959,719	\$ 18,242

The finance leases above are included in other long-term debt, along with other minor notes payable, as described in Note 8.

Cameron Memorial Community Hospital, Inc.

Notes to Consolidated Financial Statements

Note 10: Net Assets With Donor Restrictions

Net assets with donor restrictions as of September 30 are available for the following purpose or time restrictions:

	2023	2022
Purpose - Home health care services	\$ 278,149	\$ 244,383
Purpose - Other healthcare services	363,879	169,615
Time restriction - Education center project	106,372	-
Total	\$ 748,400	\$ 413,998

During 2022, net assets were released from donor restrictions by incurring expenses or satisfying the restricted purposes primarily related to the purchase of equipment and other services of approximately of \$169,000. There were no net assets released from their restrictions during 2023.

Cameron Memorial Community Hospital, Inc.

Notes to Consolidated Financial Statements

Note 11: Net Patient Service Revenue

The composition of net patient service revenue including the timing of revenue recognition and the geographic region the Hospital operates in is outlined in Note 1. The Hospital's major line of business for the years ended September 30, 2023 and 2022 were comprised primarily of hospital and clinic services.

Net patient service revenue (net of contractual allowances, discounts, and implicit price concessions) consisted of the following for the year ended September 30 by major payor source:

	2023	2022
Medicare and Medicare advantage plans	\$ 44,079,906	\$ 41,329,542
Medicaid and Medicaid managed care plans	11,508,553	10,016,793
Blue Cross Blue Shield of Indiana	14,823,255	15,670,896
Other third-party payors	24,150,861	25,073,951
Patients	3,802,621	2,745,272
Total	\$ 98,365,196	\$ 94,836,454

Note 12: Charity Care

The Hospital provides health care services and other financial support through various programs that are designed, among other matters, to enhance the health of the community, including the health of low-income patients. Consistent with the mission of the Hospital, care is provided to patients regardless of their ability to pay, including providing services to those persons who cannot afford health insurance because of inadequate resources or who are underinsured.

Patients who meet certain criteria for charity care, generally based on federal poverty guidelines, are provided care without charge or at a reduced rate, determined based on qualifying criteria as defined in the Hospital's charity care policy and from applications completed by patients and their families.

The estimated cost of providing care to patients under the Hospital's charity care policy aggregated approximately \$798,000 and \$709,000 in 2023 and 2022, respectively.

Other benefits for the community for which the Hospital is not compensated, or for which compensation is below cost, include health screenings, community education through seminars and classes, and other health related services.

Cameron Memorial Community Hospital, Inc.

Notes to Consolidated Financial Statements

Note 13: Self-Funded Health Insurance

The Hospital has established a self-funded health care (including pharmaceuticals) plan to provide medical benefits to employees and their dependents. Employees share in the cost of health benefits. Health care expense is based upon actual claims paid, reinsurance premiums, administration fees, and unpaid claims at year-end. The Hospital buys reinsurance to cover catastrophic individual claims over specific individual and aggregate amounts.

Health care expense, including pharmaceuticals, related to the self-funded health plan totaled approximately \$9,037,000 and \$6,742,000 in 2023 and 2022, respectively. A liability of \$2,100,000 and \$1,370,000 for claims outstanding for the years ended September 30, 2023 and 2022, respectively, has been recorded within accrued wages and benefits in the accompanying consolidated balance sheets. Management believes this liability is sufficient to cover estimated claims, including claims incurred but not yet reported as of September 30, 2023 and 2022, respectively.

Note 14: Professional Liability Insurance

The Hospital purchases professional and general liability insurance to cover medical malpractice claims. There are known claims and incidents that may result in the assertion of additional claims, as well as claims from unknown incidents that may be asserted arising from services provided to patients.

The Hospital participates in the Indiana Medical Malpractice Act, IC 34-18 (the "Act"), which provides a maximum recovery of \$1,800,000. 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. 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. The Hospital has purchased the required liability insurance coverages to conform with the Act and has paid the required amount of premiums to the Fund during the years ended September 30, 2023 and 2022.

GAAP requires 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.

Note 15: Pension Plan

The Hospital has a defined contribution pension plan covering substantially all employees. The Hospital contributes 4% of eligible employees' compensation as a profit-sharing contribution. The Hospital can also make a discretionary matching contribution as determined by the Board of Directors. There was no discretionary matching contribution in 2023 and 2022. Pension expense was approximately \$1,149,000 and \$1,027,000 in 2023 and 2022, respectively.

Cameron Memorial Community Hospital, Inc.

Notes to Consolidated Financial Statements

Note 16: Functional Expenses

The Hospital provides general healthcare services to residents within its geographic location as described in Note 1. The accompanying consolidated statements of operations and changes in net assets present certain expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis. Employee benefits are allocated based on factors of either salary expense or actual employee expense. Overhead costs that include things such as professional services, office expenses, information technology, insurance, and other similar expenses are allocated on a variety of factors including revenues and departmental expense. Costs related to building and equipment usage include depreciation and interest and are allocated on a square footage or direct assignment basis. Expenses related to providing these services for the years ended September 30, 2023 and 2022, are as follows:

	2023				2022			
	Healthcare Services	General and Administrative	Fundraising	Total	Healthcare Services	General and Administrative	Fundraising	Total
Salaries and wages	\$ 29,447,764	\$ 8,895,198	\$ 132,585	\$ 38,475,547	\$ 27,799,128	\$ 7,843,984	\$ 144,816	\$35,787,928
Employee benefits	9,625,353	3,447,623	55,091	13,128,067	7,833,027	2,590,978	51,116	10,475,121
Supplies and other	34,820,766	10,886,880	236,132	45,943,778	30,002,753	8,847,051	163,394	39,013,198
Depreciation	4,323,559	435,100	6,118	4,764,777	4,604,604	463,383	6,516	5,074,503
Interest	1,220,699	122,845	1,728	1,345,272	1,201,642	120,927	1,700	1,324,269
Totals	\$ 79,438,141	\$ 23,787,646	\$ 431,654	\$103,657,441	\$ 71,441,154	\$ 19,866,323	\$ 367,542	\$91,675,019

Cameron Memorial Community Hospital, Inc.

Notes to Consolidated Financial Statements

Note 17: Concentration of Credit Risk

Financial instruments that potentially subject the Hospital to possible credit risk consist principally of patient accounts receivable, cash deposits in excess of insured limits, and investments.

Patient accounts receivable consist of amounts due from patients, their insurers, or governmental agencies (primarily Medicare and Medicaid) for health care provided to patients. The majority of the Hospital's patients are from Angola, Indiana, and the surrounding area.

The mix of receivables from patients and third-party payors were as follows at September 30:

	2023	2022
Medicare and Medicare Advantage Plans	50 %	44 %
Medicaid and Medicaid managed care plans	16 %	10 %
Other third-party payors	16 %	13 %
Blue Cross Blue Shield of Indiana	13 %	20 %
Uninsured patients	5 %	13 %
Totals	100 %	100 %

The Hospital maintains depository relationships with area financial institutions that are Federal Deposit Insurance Corporation (FDIC) insured institutions. Depository accounts are insured by the FDIC up to \$250,000. Operating cash needs often require that amounts on deposit exceed FDIC limits. Management has also entered into pledging and collateral agreements with one financial institution to assist in providing additional coverage above the FDIC limits. At September 30, 2023, the Hospital's bank account balances were approximately \$190,000 above the FDIC limits and over collateral protection coverage limits. Management believes the depository account risk of these institutions that hold bank balances of the Hospital above the FDIC covered limits and other collateral arrangements is minimal at this time and reviews the financial institutions on a regular basis.

Note 18: Reclassifications

Certain reclassifications have been made to the 2022 consolidated financial statements to conform to the 2023 presentation.

Supplementary Information

Cameron Memorial Community Hospital, Inc.

Consolidating Balance Sheet

September 30, 2023

Assets	Cameron Memorial Community Hospital	Cameron Medical Outreach	Eliminations	Consolidated
Current assets:				
Cash and cash equivalents	\$ 19,799,143	\$ 267,038	\$ -	\$ 20,066,181
Patient accounts receivable	11,519,464	-	-	11,519,464
Other receivables	1,426,621	363,959	(987,186)	803,394
Inventories	1,476,430	110,318	-	1,586,748
Prepaid expenses	1,474,959	-	-	1,474,959
Total current assets	35,696,617	741,315	(987,186)	35,450,746
Investments	30,533,238	-	(3,329,020)	27,204,218
Assets limited as to use	9,420,227	-	-	9,420,227
Property and equipment - Net	33,358,463	3,412,874	-	36,771,337
Other assets:				
Right-of-use assets - Operating leases	5,952,100	-	-	5,952,100
Intangible assets and goodwill - Net	804,596	-	-	804,596
Total other assets	6,756,696	-	-	6,756,696
TOTAL ASSETS	\$ 115,765,241	\$ 4,154,189	\$ (4,316,206)	\$ 115,603,224

Cameron Memorial Community Hospital, Inc.

Consolidating Balance Sheet (Continued)

September 30, 2023

Liabilities and Net Assets	Cameron Memorial Community Hospital	Cameron Medical Outreach	Eliminations	Consolidated
Current liabilities:				
Current portion of long-term debt	\$ 987,553	\$ -	\$ -	\$ 987,553
Current portion of operating lease liabilities	1,209,290	-	-	1,209,290
Accounts payable	3,846,806	1,350,323	(987,186)	4,209,943
Accrued wages and benefits	5,324,743	-	-	5,324,743
Amounts payable to third-party reimbursement programs	251,485	-	-	251,485
Deferred revenue	6,018	-	-	6,018
Other	330,088	-	-	330,088
Total current liabilities	11,955,983	1,350,323	(987,186)	12,319,120
Long-term liabilities:				
Long-term debt - Less current portion	38,870,598	-	-	38,870,598
Operating lease liabilities - Less current portion	4,750,429	-	-	4,750,429
Total long-term liabilities	43,621,027	-	-	43,621,027
Total liabilities	55,577,010	1,350,323	(987,186)	55,940,147
Net assets:				
Without donor restrictions	59,439,831	2,803,866	(3,329,020)	58,914,677
With donor restrictions	748,400	-	-	748,400
Total net assets	60,188,231	2,803,866	(3,329,020)	59,663,077
TOTAL LIABILITIES AND NET ASSETS	\$ 115,765,241	\$ 4,154,189	\$ (4,316,206)	\$ 115,603,224

See Independent Auditor's Report.

Cameron Memorial Community Hospital, Inc.

Consolidating Balance Sheet (Continued)

September 30, 2022

Assets	Cameron Memorial Community Hospital	Cameron Medical Outreach	Eliminations	Consolidated
Current assets:				
Cash and cash equivalents	\$ 21,564,054	\$ 106,934	\$ -	\$ 21,670,988
Patient accounts receivable	11,881,560	-	-	11,881,560
Other receivables	1,320,702	496,025	(1,169,104)	647,623
Inventories	1,529,058	146,446	-	1,675,504
Prepaid expenses	2,613,081	-	-	2,613,081
Total current assets	38,908,455	749,405	(1,169,104)	38,488,756
Investments	27,444,465	-	(3,329,021)	24,115,444
Assets limited as to use	3,878,866	-	-	3,878,866
Property and equipment - Net	35,436,274	3,579,477	-	39,015,751
Other assets:				
Intangible assets and goodwill - Net	897,483	-	-	897,483
TOTAL ASSETS	\$ 106,565,543	\$ 4,328,882	\$ (4,498,125)	\$ 106,396,300

Cameron Memorial Community Hospital, Inc.

Consolidating Balance Sheet (Continued)

September 30, 2022

Liabilities and Net Assets	Cameron Memorial Community Hospital	Cameron Medical Outreach	Eliminations	Consolidated
Current liabilities:				
Current portion of long-term debt	\$ 960,667	\$ -	\$ -	\$ 960,667
Accounts payable	3,141,788	1,277,961	(1,169,104)	3,250,645
Accrued wages and benefits	6,391,118	-	-	6,391,118
Amounts payable to third-party reimbursement programs	231,096	-	-	231,096
Deferred revenue	743,489	-	-	743,489
Other	1,417,287	-	-	1,417,287
Total current liabilities	12,885,445	1,277,961	(1,169,104)	12,994,302
Long-term liabilities:				
Long-term debt - Less current portion	39,830,403	-	-	39,830,403
Total liabilities	52,715,848	1,277,961	(1,169,104)	52,824,705
Net assets:				
Without donor restrictions	53,435,697	3,050,921	(3,329,021)	53,157,597
With donor restrictions	413,998	-	-	413,998
Total net assets	53,849,695	3,050,921	(3,329,021)	53,571,595
TOTAL LIABILITIES AND NET ASSETS	\$ 106,565,543	\$ 4,328,882	\$ (4,498,125)	\$ 106,396,300

See Independent Auditor's Report.

Cameron Memorial Community Hospital, Inc.
Consolidating Statement of Operations and Changes in Net Assets

Year Ended September 30, 2023

	Cameron Memorial Community Hospital	Cameron Medical Outreach	Eliminations	Consolidated
Revenue:				
Net patient service revenue	\$ 98,365,196	\$ -	\$ -	\$ 98,365,196
Other operating revenue	2,874,033	4,845,753	(436,555)	7,283,231
Total revenue	101,239,229	4,845,753	(436,555)	105,648,427
Expenses:				
Salaries and wages	37,654,428	821,119	-	38,475,547
Fringe benefits	13,128,067	-	-	13,128,067
Supplies and other	42,133,222	4,247,112	(436,556)	45,943,778
Depreciation	4,566,200	198,577	-	4,764,777
Interest	1,345,272	-	-	1,345,272
Total expenses	98,827,189	5,266,808	(436,556)	103,657,441
Income (loss) from operations	2,412,040	(421,055)	1	1,990,986
Other income (loss):				
Contributions - Net	45,184	-	-	45,184
Investment loss	4,614,907	-	-	4,614,907
Grants paid to community organizations and others	(1,060,000)	-	-	(1,060,000)
Gain (loss) on disposal of property and equipment	(7,997)	174,000	-	166,003
Total other income (loss) - Net	3,592,094	174,000	-	3,766,094
Increase (decrease) in net assets without donor restrictions	6,004,134	(247,055)	1	5,757,080
Changes in net assets with donor restrictions:				
Contributions	334,402	-	-	334,402
Increase (decrease) in net assets	6,338,536	(247,055)	1	6,091,482
Net assets at beginning of year	53,849,695	3,050,921	(3,329,021)	53,571,595
Total net assets at end of year	\$ 60,188,231	\$ 2,803,866	\$ (3,329,020)	\$ 59,663,077

See Independent Auditor's Report.

Cameron Memorial Community Hospital, Inc.
Consolidating Statement of Operations and Changes in Net Assets (Continued)

Year Ended September 30, 2022

	Cameron Memorial Community Hospital	Cameron Medical Outreach	Eliminations	Consolidated
Revenue:				
Net patient service revenue	\$ 94,836,454	\$ -	\$ -	\$ 94,836,454
Other operating revenue	3,433,656	3,771,262	(399,435)	6,805,483
Total revenue	98,270,110	3,771,262	(399,435)	101,641,937
Expenses:				
Salaries and wages	35,009,611	778,317	-	35,787,928
Employee benefits	10,475,121	-	-	10,475,121
Supplies and other	36,223,698	3,188,935	(399,435)	39,013,198
Depreciation	4,868,847	205,656	-	5,074,503
Interest	1,324,269	-	-	1,324,269
Total expenses	87,901,546	4,172,908	(399,435)	91,675,019
Income (loss) from operations	10,368,564	(401,646)	-	9,966,918
Other income (loss):				
Contributions	(145,877)	-	-	(145,877)
Investment income	(5,419,110)	-	-	(5,419,110)
Net assets released from donor restrictions	106,599	-	-	106,599
Grants paid to community organizations and others	(60,000)	-	-	(60,000)
Loss on disposal of property and equipment	(39,403)	-	-	(39,403)
Total other income (loss) - Net	(5,557,791)	-	-	(5,557,791)
Increase (decrease) in net assets without donor restrictions	4,810,773	(401,646)	-	4,409,127
Changes in net assets with donor restrictions:				
Contributions	117,544	-	-	117,544
Net assets released from restrictions	(106,599)	-	-	(106,599)
Increase in net assets with donor restrictions	10,945	-	-	10,945
Net assets at beginning of year	49,027,977	3,452,567	(3,329,021)	49,151,523
Total net assets at end of year	\$ 53,849,695	\$ 3,050,921	\$ (3,329,021)	\$ 53,571,595

See Independent Auditor's Report.

Compliance

Cameron Memorial Community Hospital, Inc.

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2023

Federal Grantor/Program Title	Contract Number	Entity Passed Through	Federal Assistance Listing Number	Grantor's Time Period	Federal Expenditures
U.S. Department of Agriculture:					
Community Facilities Loans and Grants - USDA Direct Loan	N/A	Direct	10.766	October 1, 2022 - September 30, 2023	\$ 33,565,194
Community Facilities Loans and Grants - USDA Guaranteed	N/A	Direct	10.766	October 1, 2022 - September 30, 2023	7,218,681
Total U.S. Department of Agriculture					40,783,875
U.S. Department of Health and Human Services:					
Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	N/A	Direct	93.498	January 1, 2020 - December 31, 2022	2,039,357
RHC Testing and Mitigation	N/A	Direct	93.697	October 1, 2022 - September 30, 2023	136,045
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program	1 G29RH42999-01-00	Direct	93.912	October 1, 2022 - June 30, 2022	33,868
Telehealth Programs	5 H2ARH30298-06-00	Indiana Rural Health Association	93.211	October 1, 2022 - August 31, 2024	20,000
Total U.S. Department of Health and Human Services					2,229,270
Total expenditures of federal awards					\$ 43,013,145

See Independent Auditor's Report.

See accompanying notes to Schedule of Expenditures of Federal Awards.

Cameron Memorial Community Hospital, Inc.

Notes to Schedule of Expenditures of Federal Awards

Year Ended September 30, 2023

Note 1: Basis of Presentation

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

Note 2: Summary of Significant Accounting Policies

With the exception of expenditures related to the Provider Relief Fund ("PRF"), expenditures on the Schedule are reported on the accrual basis of accounting and are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The PRF is not subject to cost principles requirements contained in the Uniform Guidance. Expenditures reported on the Schedule for PRF are based on the PRF period of availability, terms and conditions of the PRF program, and amounts reported in the PRF portal for the reporting period 4, due March 31, 2023.

Note 3: Indirect Cost

The Hospital has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4: Subrecipients

The Hospital passed no federal awards through to subrecipients.

Note 5: Interest Earned on Provider Relief Funds

PRF reported in the Schedule included \$361 of interest earned on PRF proceeds which were used for allowable purposes.

Note 5: Balance of Outstanding Loans

The loan balances outstanding at the beginning of the year are included in the federal expenditures presented in the Schedule. There were no new loans received during the year ended September 30, 2023, and the balance of the outstanding loans and guaranteed loan balances under the Community Facilities Loans and Grant Program at September 30, 2023 were as follows:

Program Title	Federal CFDA Number	Amount Outstanding
Community Facilities Loans and Grants	10.766	\$39,883,459

Independent Auditor's 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*

Board of Directors
Cameron Memorial Community Hospital, Inc.
Angola, 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 consolidated financial statements of Cameron Memorial Community Hospital, Inc. (the "Hospital"), as of and for the year ended September 30, 2023 and the related notes to the consolidated financial statements, which collectively comprise the the Hospital's basic financial statements, and have issued our report thereon dated December 27, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated 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 reasonable possibility that a material misstatement of the Hospital's consolidated financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wipfli LLP

Wipfli LLP
Eau Claire, Wisconsin
December 27, 2023

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Directors
Cameron Memorial Community Hospital, Inc.
Angola, Indiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Cameron Memorial Community Hospital, Inc.'s (the "Hospital") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023. The Hospital's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Hospital complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each major federal program for the year ended September 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibility for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control Over Compliance

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

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

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

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

Wipfli LLP

Wipfli LLP
Eau Claire, Wisconsin
December 27, 2023

Cameron Memorial Community Hospital

Schedule of Findings and Questioned Costs

Year Ended September 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness identified? yes X no

Significant deficiency(ies) identified ? yes X none reported

Noncompliance material to the financial statements? yes X no

Federal Awards

Internal control over compliance:

Material weakness identified? yes X no

Significant deficiency(ies) identified ? yes X none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance [2 CFR 200.516(a)]? yes X no

Identification of major federal programs:

Federal Assistance Listing Number	Name of Federal Program or Cluster
10.766	Community Facilities Loans and Grants
93.498	Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as a low-risk auditee?	<u> </u> yes <u> X </u> no

Cameron Memorial Community Hospital
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2023

Section II - Financial Statement Findings

None.

Section III – Federal Award Findings

None.