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June 26, 2024

Board of Trustees
Woodlawn Health
Fulton County, Indiana

We have reviewed the audit report of Woodlawn Health, which was opined upon by Blue & Co., LLC, Independent Public Accountants, for the period January 1, 2023 to December 31, 2023. Per the *Report of Independent Auditors*, the financial statements included in the report present fairly the financial condition of the Woodlawn Health as of December 31, 2023, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

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

A handwritten signature in cursive script that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

WOODLAWN HEALTH



FINANCIAL STATEMENTS

AND

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2023 AND 2022

CPAs / ADVISORS



WOODLAWN HEALTH

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REPORT OF INDEPENDENT AUDITORS

Board of Trustees
Woodlawn Health
Rochester, Indiana

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of Woodlawn Health (the Hospital), a component unit of Fulton County, which comprise the statements of net position as of December 31, 2023 and 2022, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Hospital, as of December 31, 2023 and 2022, and the respective changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for twelve months beyond the financial statement date.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Board of Trustees
Woodlawn Health
Rochester, Indiana

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2024 on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

Blue & Co., LLC

Indianapolis, Indiana
June 3, 2024

REQUIRED SUPPLEMENTARY INFORMATION

WOODLAWN HEALTH

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2023 AND 2022

Management's discussion and analysis of Woodlawn Health's (the Hospital) financial performance provides an overview of the Hospital's financial activities for the year ended December 31, 2023 with comparable information for 2022 and 2021. Please read it in conjunction with the Hospital's financial statements and accompanying notes to the financial statements included in this report.

USING THIS ANNUAL REPORT

This annual report consists of two parts—*management's discussion and analysis* and *financial statements*.

- In the "*management's discussion and analysis*" section of this report, management discusses various components of the annual report and provide an analysis of the current financial statement information.
- The "*financial statements*" section of this report includes a series of financial statements, which provide information about the activities of the Hospital as a whole. The statements of net position reveal the assets, deferred outflows, liabilities, and net position of the Hospital on December 31, 2023 and 2022, while the statements of revenues, expenses, and changes in net position summarize the revenues and expenses, including nonoperating items for the years then ended. The statements of cash flows summarize the change in cash and cash equivalents as a result of operating, investing and financing activities during the year. The notes to the financial statements disclose additional information addressed within the body of the financial statements.

FINANCIAL HIGHLIGHTS

- The Hospital's net position increased approximately \$3,097,000 in 2023 and decreased approximately \$1,677,000 in 2022.
- Operating income (loss) increased approximately \$4,114,000 and \$2,670,000 in 2023 and 2022, respectively, reporting operating income of approximately \$2,828,000 in 2023 and reporting an operating loss of approximately \$1,286,000 and \$3,956,000 in 2022 and 2021, respectively.
- Nonoperating revenues (expenses) increased approximately \$660,000 in 2023 and decreased approximately \$9,265,000 in 2022.

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

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

WOODLAWN HEALTH

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2023 AND 2022

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

The Hospital's net position is the difference between its assets and deferred outflows and liabilities. The following information documents in summary the net position and the changes in net position related to activities of the Hospital as of December 31, 2023 and 2022 and for the years then ended.

Table 1 – Statements of Net Position

	2023	2022	Change 2023 - 2022	2021	Change 2022 - 2021
Assets					
Current assets	\$ 41,936,549	\$ 38,005,806	\$ 3,930,743	\$ 42,300,620	\$ (4,294,814)
Assets whose use is limited	5,307,904	6,840,888	(1,532,984)	6,439,210	401,678
Capital assets, net	18,484,206	19,553,670	(1,069,464)	19,794,764	(241,094)
Total assets	<u>65,728,659</u>	<u>64,400,364</u>	<u>1,328,295</u>	<u>68,534,594</u>	<u>(4,134,230)</u>
Deferred outflows					
	-0-	154,304	(154,304)	308,606	(154,302)
Total assets and deferred outflows	<u>\$ 65,728,659</u>	<u>\$ 64,554,668</u>	<u>\$ 1,173,991</u>	<u>\$ 68,843,200</u>	<u>\$ (4,288,532)</u>
Liabilities					
Current liabilities	\$ 21,768,223	\$ 22,299,751	\$ (531,528)	\$ 23,307,349	\$ (1,007,598)
Other liabilities	6,993,366	8,385,078	(1,391,712)	9,989,493	(1,604,415)
Total liabilities	<u>28,761,589</u>	<u>30,684,829</u>	<u>(1,923,240)</u>	<u>33,296,842</u>	<u>(2,612,013)</u>
Net position					
Net investment in capital assets	9,921,544	9,317,991	603,553	7,653,852	1,664,139
Unrestricted	27,045,526	24,551,848	2,493,678	27,892,506	(3,340,658)
Total net position	<u>36,967,070</u>	<u>33,869,839</u>	<u>3,097,231</u>	<u>35,546,358</u>	<u>(1,676,519)</u>
Total liabilities and net position	<u>\$ 65,728,659</u>	<u>\$ 64,554,668</u>	<u>\$ 1,173,991</u>	<u>\$ 68,843,200</u>	<u>\$ (4,288,532)</u>

The following discussion includes changes from 2022 to 2023. The significant change in the Hospital's assets was current assets, which increased approximately \$3,931,000. Current assets increased primarily due to generation of cash and cash equivalents from operating activities as well as purchase and allocation as current of board designated investments. The significant changes in the Hospital's liabilities included current liabilities, which decreased approximately \$532,000, and other liabilities, which decreased approximately \$1,392,000. Current liabilities decreased primarily due to timing of trade accounts payable and the health insurance accrual and other liabilities decreased due to principal payments on long-term debt and lease and subscription-based information technology arrangement (SBITA) liabilities over additions. The Hospital's net position increased approximately \$3,097,000 due to operating income and nonoperating income, net.

WOODLAWN HEALTH

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2023 AND 2022

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

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

	2023	2022	Change 2023 - 2022	2021	Change 2022 - 2021
Operating revenues					
Net patient service revenue	\$ 188,710,601	\$ 179,122,865	\$ 9,587,736	\$ 181,447,924	\$ (2,325,059)
Other operating revenue	2,825,211	4,972,972	(2,147,761)	1,833,062	3,139,910
Total operating revenues	<u>191,535,812</u>	<u>184,095,837</u>	<u>7,439,975</u>	<u>183,280,986</u>	<u>814,851</u>
Operating expenses					
Salaries and benefits	32,323,913	35,715,976	(3,392,063)	38,140,553	(2,424,577)
Purchased services	118,861,703	113,006,505	5,855,198	112,124,380	882,125
Depreciation and amortization	2,496,357	2,766,491	(270,134)	2,696,046	70,445
Other operating expenses	35,026,335	33,892,905	1,133,430	34,276,069	(383,164)
Total operating expenses	<u>188,708,308</u>	<u>185,381,877</u>	<u>3,326,431</u>	<u>187,237,048</u>	<u>(1,855,171)</u>
Operating income (loss)	2,827,504	(1,286,040)	4,113,544	(3,956,062)	2,670,022
Nonoperating revenues (expenses)	<u>269,727</u>	<u>(390,479)</u>	<u>660,206</u>	<u>8,874,531</u>	<u>(9,265,010)</u>
Change in net position	3,097,231	(1,676,519)	4,773,750	4,918,469	(6,594,988)
Net position beginning of year	<u>33,869,839</u>	<u>35,546,358</u>	<u>(1,676,519)</u>	<u>30,627,889</u>	<u>4,918,469</u>
Net position end of year	<u>\$ 36,967,070</u>	<u>\$ 33,869,839</u>	<u>\$ 3,097,231</u>	<u>\$ 35,546,358</u>	<u>\$ (1,676,519)</u>

SOURCES OF REVENUE

During 2023 and 2022, the Hospital derived substantially all of its revenue from patient service and other related activities. A significant portion of the patient service revenue is from patients that are insured by government health programs, principally Medicare and Medicaid, which are highly regulated and subject to frequent and substantial changes. Revenues from the Medicare and Medicaid programs represented 64% and 38% of the Hospital's gross revenues in 2023 and 2022, respectively. Revenues from managed care entities covering Medicare and Medicaid patients are reflected in Medicare and Medicaid for 2023 and other commercial payors for 2022 and 2021. Following is a table of major sources of gross patient revenues for 2023, 2022, and 2021:

WOODLAWN HEALTH

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2023 AND 2022

	2023	2022	2021
Medicare	43%	24%	25%
Medicaid	21%	14%	12%
Blue Cross	15%	22%	22%
Other commercial payors	19%	38%	38%
Self-pay	2%	2%	3%
	<u>100%</u>	<u>100%</u>	<u>100%</u>

The Hospital's outpatient services represented approximately 47% and 44% of the Hospital's gross patient revenue in 2023 and 2022, respectively.

OPERATING AND FINANCIAL PERFORMANCE

The Hospital's net position increased approximately \$3,097,000 in 2023 and decreased approximately \$1,677,000 in 2022, as shown in Table 2. The Hospital's return (loss) on net position was approximately 9.1%, (4.7%), and 16.1% for the years ended December 31, 2023, 2022, and 2021, respectively. The following section highlights the major financial factors for 2023 and 2022:

- Net patient service revenue was approximately \$188,711,000 in 2023, which increased approximately \$9,588,000 from 2022. Operating expenses increased approximately \$3,326,000 or 1.8% from 2022. Net patient service revenue was approximately \$179,123,000 in 2022, which decreased approximately \$2,325,000 from 2021. Operating expenses decreased approximately \$1,855,000 or 1.0% from 2021.
- Purchased services was the expense classification with the largest increase from 2022, increasing approximately \$5,855,000 or 5.2% primarily due to expenses incurred in response to the labor shortage and need for contracted staffing as well as growth in long-term care services. Salaries and benefits was the expense classification with the largest decrease from 2021, decreasing approximately \$2,425,000 or 6.4% from 2021 primarily due to declines in full-time equivalent employees.
- Nonoperating revenue (expenses), net increased approximately \$660,000 from 2022 to 2023, primarily due to due approximately \$672,000 investment return recognized in 2023 compared to approximately \$95,000 in 2022. Nonoperating revenue (expenses), net decreased approximately \$9,265,000 from 2021 to 2022, primarily due to due approximately \$9,357,000 COVID-19 grant funds recognized in 2021.

THE STATEMENT OF CASH FLOWS

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

WOODLAWN HEALTH

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2023 AND 2022

Table 3 – Statements of Cash Flows

	2023	2022	Change 2023 - 2022	2021	Change 2022 - 2021
Cash flow from (used in) activities					
Operating	\$ 5,235,292	\$ 392,825	\$ 4,842,467	\$ (2,242,947)	\$ 2,635,772
Noncapital financing	-0-	-0-	-0-	4,458,600	(4,458,600)
Capital and related financing	(3,329,732)	(4,298,078)	968,346	(3,765,439)	(532,639)
Investing	(1,774,196)	(600,363)	(1,173,833)	(3,102,041)	2,501,678
Change in cash and cash equivalents	<u>\$ 131,364</u>	<u>\$ (4,505,616)</u>	<u>\$ 4,636,980</u>	<u>\$ (4,651,827)</u>	<u>\$ 146,211</u>
Cash and cash equivalents					
Beginning of year	<u>\$ 16,735,459</u>	<u>\$ 21,241,075</u>		<u>\$ 25,892,902</u>	
End of year	<u>\$ 16,866,823</u>	<u>\$ 16,735,459</u>		<u>\$ 21,241,075</u>	

Cash and cash equivalents increased approximately \$131,000 in 2023 and decreased approximately \$4,506,000 and \$4,652,000 in 2022 and 2021, respectively. Operating activities generated cash and cash equivalents of approximately \$5,235,000 and \$393,000 during 2023 and 2022, respectively. Operating activities used cash and cash equivalents of approximately \$2,243,000 during 2021 mainly from payment of Medicare accelerated payments. Noncapital financing activities generated cash and cash equivalents of approximately \$4,459,000 during 2021 due to governmental funds received for additional expenses incurred in response to the COVID-19 pandemic. Capital and related financing activities used cash and cash equivalents by approximately \$3,330,000, \$4,298,000, and \$3,765,000 during 2023, 2022 and 2021, respectively, mainly as a result of expenditures for property and equipment additions as well as payments on long-term debt and lease and SBITA liabilities. Investing activities used cash and cash equivalents of approximately \$1,774,000, \$600,000 and \$3,102,000 during 2023, 2022 and 2021, respectively, due to transfer of funds to and from assets whose use is limited and variances in purchases and sales of investments in 2023, 2022, and 2021.

CAPITAL ASSETS

During 2023 and 2022, the Hospital's net capital assets decreased approximately \$1,069,000 and \$241,000, respectively. The change in capital assets is outlined in the following table:

	2023	2022	Change 2023 - 2022	2021	Change 2022 - 2021
Capital assets					
Nondepreciable capital assets	\$ 613,880	\$ 2,362,335	\$ (1,748,455)	\$ 854,907	\$ 1,507,428
Depreciable capital assets	39,671,413	37,134,798	2,536,615	36,960,756	174,042
Intangible right-to-use assets	8,513,560	8,271,561	241,999	7,990,717	280,844
	<u>48,798,853</u>	<u>47,768,694</u>	<u>1,030,159</u>	<u>45,806,380</u>	<u>1,962,314</u>
Less accumulated depreciation	24,047,604	23,213,128	834,476	22,416,960	796,168
Less accumulated amortization	6,267,043	5,001,896	1,265,147	3,594,656	1,407,240
Capital assets, net	<u>\$ 18,484,206</u>	<u>\$ 19,553,670</u>	<u>\$ (1,069,464)</u>	<u>\$ 19,794,764</u>	<u>\$ (241,094)</u>

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

WOODLAWN HEALTH

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2023 AND 2022

LONG-TERM DEBT AND LEASE AND SBITA LIABILITIES

Total long-term debt and lease and SBITA liabilities decreased from approximately \$10,236,000 in 2022 to \$8,563,000 in 2023 due to principal payments paid during the year. Total long-term debt and lease and SBITA liabilities decreased from approximately \$12,141,000 in 2021 to \$10,236,000 in 2022 due principal payments paid during the year. More detailed information about the Hospital's long-term debt and lease and SBITA liabilities is presented in the notes to the financial statements.

ECONOMIC FACTORS

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

CONTACTING THE HOSPITAL'S FINANCIAL MANAGEMENT

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

WOODLAWN HEALTH

STATEMENTS OF NET POSITION DECEMBER 31, 2023 AND 2022

ASSETS AND DEFERRED OUTFLOWS

	2023	2022
Current assets		
Cash and cash equivalents	\$ 12,362,332	\$ 10,899,051
Patient accounts receivable, net	19,075,642	18,557,876
Inventories	1,251,825	1,313,131
Estimated third party settlements	-0-	158,032
Current portion of board designated investments	6,457,535	3,810,755
Other current assets	2,789,215	3,266,961
Total current assets	<u>41,936,549</u>	<u>38,005,806</u>
Assets whose use is limited		
Board designated investments	11,765,439	10,651,643
Less current portion of board designated investments	<u>(6,457,535)</u>	<u>(3,810,755)</u>
Assets whose use is limited, net of current portion	5,307,904	6,840,888
Capital assets		
Nondepreciable capital assets	613,880	2,362,335
Depreciable capital assets, net	15,623,809	13,921,670
Intangible right-to-use assets, net	<u>2,246,517</u>	<u>3,269,665</u>
Total capital assets, net	<u>18,484,206</u>	<u>19,553,670</u>
Total assets	65,728,659	64,400,364
Deferred outflows	<u>-0-</u>	<u>154,304</u>
Total assets and deferred outflows	<u>\$ 65,728,659</u>	<u>\$ 64,554,668</u>

See accompanying notes to financial statements.

WOODLAWN HEALTH

STATEMENTS OF NET POSITION DECEMBER 31, 2023 AND 2022

LIABILITIES AND NET POSITION

	2023	2022
Current liabilities		
Accounts payable and accrued expenses	\$ 17,792,544	\$ 18,360,152
Accrued salaries and related liabilities	1,921,553	2,088,998
Estimated third party settlements	484,830	-0-
Current portion of long-term debt	531,422	675,253
Current portion of lease and SBITA liabilities	1,037,874	1,175,348
Total current liabilities	<u>21,768,223</u>	<u>22,299,751</u>
Other liabilities		
Long-term debt	5,777,848	6,308,576
Long-term lease and SBITA liabilities	1,215,518	2,076,502
Total other liabilities	<u>6,993,366</u>	<u>8,385,078</u>
Total liabilities	28,761,589	30,684,829
Net position		
Net investment in capital assets	9,921,544	9,317,991
Unrestricted	27,045,526	24,551,848
Total net position	<u>36,967,070</u>	<u>33,869,839</u>
Total liabilities and net position	<u>\$ 65,728,659</u>	<u>\$ 64,554,668</u>

See accompanying notes to financial statements.

WOODLAWN HEALTH

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Operating revenues		
Net patient service revenue	\$ 188,710,601	\$ 179,122,865
Other operating revenue	2,825,211	4,972,972
Total operating revenue	191,535,812	184,095,837
Operating expenses		
Salaries and wages	26,824,697	26,827,111
Employee benefits	5,499,216	8,888,865
Purchased services	118,861,703	113,006,505
Supplies	8,388,251	8,173,370
Rent	10,239,641	10,647,883
Utilities	5,215,190	5,761,541
Repairs and maintenance	3,796,027	3,384,662
Insurance	1,988,225	1,879,772
Hospital Assessment Fee	4,155,584	2,802,386
Depreciation and amortization	2,496,357	2,766,491
Other	1,243,417	1,243,291
Total operating expenses	188,708,308	185,381,877
Operating income (loss)	2,827,504	(1,286,040)
Nonoperating revenue (expense)		
Investment income	671,517	94,872
Interest expense	(401,709)	(464,691)
Loss on disposition of assets	(81)	(20,660)
Total nonoperating revenue (expense)	269,727	(390,479)
Change in net position	3,097,231	(1,676,519)
Net position		
Beginning of year	33,869,839	35,546,358
End of year	\$ 36,967,070	\$ 33,869,839

See accompanying notes to financial statements.

WOODLAWN HEALTH

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Operating activities		
Cash received from patients and third party payors	\$ 184,680,113	\$ 175,271,157
Cash paid to employees for wages and benefits	(32,491,358)	(36,594,294)
Cash paid to vendors for goods and services	(149,778,674)	(143,257,010)
Other operating receipts, net	2,825,211	4,972,972
Net cash from operating activities	5,235,292	392,825
Capital and related financing activities		
Acquisition and construction of capital assets	(1,013,007)	(1,647,310)
Interest paid on long-term debt	(372,004)	(419,744)
Interest paid on lease liabilities	(12,021)	(19,943)
Interest paid on SBITA liabilities	(17,684)	(25,004)
Principal paid on long-term debt	(674,559)	(722,980)
Principal paid on lease liabilities	(988,317)	(1,218,277)
Principal paid on SBITA liabilities	(252,140)	(244,820)
Net cash used in capital and related financing activities	(3,329,732)	(4,298,078)
Investing activities		
Investment income	671,517	94,872
Purchase of assets whose use is limited	(7,260,948)	(4,815,235)
Proceeds from sale of assets whose use is limited	4,815,235	4,120,000
Net cash used in investing activities	(1,774,196)	(600,363)
Net change in cash and cash equivalents	131,364	(4,505,616)
Cash and cash equivalents		
Beginning of year	16,735,459	21,241,075
End of year	\$ 16,866,823	\$ 16,735,459

See accompanying notes to financial statements.

WOODLAWN HEALTH

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Reconciliation of operating income (loss) to net cash from operating activities		
Operating income (loss)	\$ 2,827,504	\$ (1,286,040)
Adjustments to reconcile operating loss to net cash from (used in) operating activities:		
Depreciation and amortization	2,496,357	2,766,491
Provision for uncollectable accounts	3,235,036	5,856,467
Changes in assets and liabilities		
Patient accounts receivable	(3,752,802)	(6,542,926)
Inventories	61,306	176,767
Estimated third party settlements	642,862	(362,863)
Other current assets	477,746	750,479
Accounts payable and accrued expenses	(585,272)	(87,232)
Accrued salaries and related liabilities	(167,445)	(878,318)
Net cash from operating activities	<u>\$ 5,235,292</u>	<u>\$ 392,825</u>
Reconciliation of cash and cash equivalents to the statements of net position		
Cash and cash equivalents		
In cash and cash equivalents	\$ 12,362,332	\$ 10,899,051
In assets whose use is limited	4,504,491	5,836,408
Total cash and cash equivalents	<u>\$ 16,866,823</u>	<u>\$ 16,735,459</u>
Supplemental cash flows information		
Capital assets in accounts payable	\$ 17,664	\$ 463,601
Capital assets financed through lease liabilities	\$ 241,999	\$ 280,844

See accompanying notes to financial statements.

WOODLAWN HEALTH

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity

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

In 1975, the Board of County Commissioners of Fulton County, upon written request of the Hospital Board of Trustees, created the Fulton County Hospital Association (the Association). The Association was created pursuant to the provisions of Indiana Code 16-22-6 for the exclusive purpose of financing and constructing hospital facilities of the Hospital. The Association's net position as of December 31, 2023 and 2022 and related changes in net position and cash flows for the years then ended were not significant.

For financial reporting purposes, the Hospital's reporting entity consists of the primary government and component unit organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete, and they are financially accountable to the primary government. There were no balances or transactions to report related to component unit organizations as of December 31, 2023 and 2022 and for the years then ended.

Long-Term Care Operations

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

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

WOODLAWN HEALTH

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

Measurement Focus and Basis of Accounting

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

Use of Estimates

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

Cash and Cash Equivalents

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

Patient Accounts Receivable and Net Patient Service Revenue

Patient revenues and the related accounts receivable are recorded at the time services to patients are performed and are reported based on gross charges, net of certain deductions from those charges. The Hospital is a provider of services to patients entitled to coverage under Titles XVIII and XIX of the Health Insurance Act (Medicare and Medicaid). The Hospital was granted Critical Access Status by Medicare and is paid for Medicare services based upon a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at an interim rate, with final settlement determined after submission of annual cost reports. The Hospital is reimbursed for Medicaid inpatient services under a prospectively determined rate-per-discharge and for Medicaid outpatient services based on a predetermined fee schedule. For both Medicare and Medicaid, differences between the total program billed charges and the payments received are reflected as deductions from revenue. Long-term care services rendered to Medicare program beneficiaries are paid under a prospectively determined payment system on a per diem basis based on each resident's health at admission. Medicare reimburses for 100 days of skilled nursing facility care subject to certain eligibility requirements. Long-term care services rendered to Medicaid program beneficiaries are paid on a per diem basis.

At the Hospital's year-end, a cost report is filed with the Medicare program computing reimbursement amounts related to Medicare patients. The difference between computed reimbursement and interim reimbursement is reflected as a receivable from or payable to the third-party program. The Medicare program cost reports have been audited through December 31, 2020 with immaterial differences reflected as deductions from revenue in 2023. Amounts from unresolved cost reports for 2021 through 2023 are reflected in estimated third party settlements on the statements of net position.

WOODLAWN HEALTH

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

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

The Hospital received a favorable rural health clinic determination in 2022. Operating and settlement amounts summing to approximately \$2,720,000 and \$3,108,000 are included within other revenues in the statements of revenues, expenses, and changes in net position during 2023 and 2022, respectively, and settlement receivables of approximately \$-0- and \$765,000 are included within estimated third party settlements in the statements of net position as of December 31, 2023 and 2022, respectively.

Hospital Assessment Fee Program

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

Previously, the State share was funded by governmental entities through intergovernmental transfers. The Medicaid enhanced payments relate to both fee for service and managed care claims. The Medicaid enhanced payments are designed to follow the patients and result in increased Medicaid rates. During 2023 and 2022, the Hospital recognized HAF expense of approximately \$4,156,000 and \$2,802,000, respectively, which resulted in increased Medicaid reimbursement.

As a governmental entity, the Hospital is also eligible for the Indiana Medicaid Supplemental programs including Medicaid DSH and Municipal Upper Payment Limit programs. The Hospital recognized reimbursement from these programs within net patient revenue of approximately \$776,000 and \$684,000 during 2023 and 2022, respectively. These programs are administered by the State of Indiana but rely on Federal funding.

Charity Care

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

The estimated costs of providing charity services are based on a calculation, which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on the Hospital's total expenses divided by gross patient services. Of the Hospital's total expenses reported, excluding the long-term care expenses, an estimated \$170,000 and \$553,000 arose from providing services to charity patients during the years ended December 31, 2023 and 2022, respectively.

WOODLAWN HEALTH

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

Inventories

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

Assets Whose Use is Limited

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

Capital Assets and Depreciation

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

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

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

Deferred Outflows

The accounting for the acquisition of Fulton County Medical Center discussed in Note 10 resulted in recognizing intangible assets for goodwill and similar items of approximately \$1,543,000. The carrying amount of the assets will be amortized on a straight-line basis over a period of 10 years. Total amortization expense of intangible assets for goodwill and similar items for the years ended December 31, 2023 and 2022 was approximately \$154,000.

Net Position

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

WOODLAWN HEALTH

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

Restricted Resources

When the Hospital has both restricted and unrestricted resources available to finance a particular program, it is the Hospital's policy to use restricted resources before unrestricted resources. Approval by the Hospital Board of Trustees is required for use of restricted resources. As of December 31, 2023 and 2022, the Hospital did not have any restricted resources.

Statements of Revenues, Expenses, and Changes in Net Position

The Hospital's statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenue and expense. For purposes of display, transactions deemed by management to be ongoing, major or central to the provision of healthcare services are reported as operating revenues and expenses. Peripheral or incidental transactions such as investment and financing activities are reported as nonoperating revenue and expense.

Grants and Contributions

From time to time, the Hospital receives grants and contributions from government agencies, individuals, and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses. Grants are recognized to the extent that the Hospital meets the terms and conditions of the grant. To the extent the Hospital has not met the terms and conditions of the grant, amounts are recorded as refundable advances within the statements of net position.

Advertising and Community Relations

The Hospital records advertising and community relations expense in the period incurred. Total expense for advertising and community relations was approximately \$145,000 and \$191,000 for 2023 and 2022, respectively, and are included within other operating expenses on the statements of revenue, expenses and changes in net position.

Compensated Absences

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

Federal or State Income Taxes

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

WOODLAWN HEALTH

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

Risk Management

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

Medical Malpractice

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

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

Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Hospital's claim experience, an accrual for estimated malpractice costs for identified claims was approximately \$25,000 as of December 31, 2023 and 2022. It is reasonably possible that this estimate could change materially in the near term.

Litigation

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

Subsequent Events

The Hospital evaluates events or transactions occurring subsequent to the statement of net position date for recognition and disclosure in the accompanying financial statements through the date the financial statements were available to be issued which is June 3, 2024.

WOODLAWN HEALTH

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

2. NET PATIENT SERVICE REVENUE

The Hospital has agreements with third party payors that provide for payments to the Hospital at amounts different from its established rates. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The following is a summary of net patient service revenue for 2023 and 2022:

	2023	2022
Inpatient services	\$ 12,164,479	\$ 17,291,998
Outpatient services	146,524,045	126,827,809
Physician services	20,274,624	19,317,448
Long-term care services	130,015,365	125,303,846
Gross patient service revenue	308,978,513	288,741,101
Contractual adjustments	(116,754,098)	(102,900,408)
Charity care	(278,778)	(861,361)
Provision for uncollectable accounts	(3,235,036)	(5,856,467)
Deductions from patient service revenue	(120,267,912)	(109,618,236)
Net patient service revenue	<u>\$ 188,710,601</u>	<u>\$ 179,122,865</u>

3. ACCOUNTS RECEIVABLE AND PAYABLE

Patient accounts receivable and accounts payable (including accrued expenses) reported as current assets and liabilities by the Hospital as of December 31, 2023 and 2022 is as follows:

	2023	2022
<u>Patient accounts receivable</u>		
Receivable from Medicare	\$ 7,967,302	\$ 3,894,392
Receivable from Medicaid	3,423,483	2,552,182
Receivable from Blue Cross	2,014,863	2,899,133
Receivable from other commercial payors	4,613,195	9,511,229
Receivable from self-pay patients	4,028,700	5,483,092
Receivable from long-term care services	11,250,311	10,692,654
Total patient accounts receivable	33,297,854	35,032,682
Less allowances for contractual adjustments	(11,418,059)	(12,180,779)
Less allowance for uncollectable accounts	(2,804,153)	(4,294,027)
Total allowances on patient accounts receivable	(14,222,212)	(16,474,806)
Patient accounts receivable, net	<u>\$ 19,075,642</u>	<u>\$ 18,557,876</u>
<u>Accounts payable and accrued expenses</u>		
Payable to suppliers	\$ 17,792,544	\$ 18,360,152
Payable to employees (including taxes and benefits)	1,921,553	2,088,998
Total accounts payable and accrued expenses	<u>\$ 19,714,097</u>	<u>\$ 20,449,150</u>

WOODLAWN HEALTH

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

4. ASSETS WHOSE USE IS LIMITED

Board Designated Investments

Cash and cash equivalents and certificates of deposit set aside by the Hospital Board of Trustees for identified purposes and over which the Board of Trustees retains control and may, at its discretion, subsequently use for other purposes. The current portion of these investments are designated by the board for interest and principal payments due within a year while the long-term portion is designated to fund depreciation and other long-term capital needs. The following represents assets whose use is limited as of December 31, 2023 and 2022:

	2023	2022
Cash and cash equivalents	\$ 4,504,491	\$ 5,836,408
Certificates of deposit	7,260,948	4,815,235
	\$ 11,765,439	\$ 10,651,643

5. DEPOSITS AND INVESTMENTS

Deposits with financial institutions in the State of Indiana at year-end were entirely insured by the Federal Deposit Insurance Corporation or by the Indiana Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution. Investments are carried at cost, which approximates fair value. Net realized gains and losses on security transactions are determined on the specific identification cost basis. Assets whose use is limited investments consist of cash and cash equivalents and certificates of deposit. As of December 31, 2023 and 2022, the Hospital had the following investments and maturities, all of which were held in the Hospital's name by custodial banks that are agents of the Hospital:

December 31, 2023					
Investment Maturities (in years)					
	Carrying Amount	Less than 1	1-5	6-10	More than 10
Certificates of deposit	\$ 7,260,948	\$ 7,260,948	\$ -0-	\$ -0-	\$ -0-
December 31, 2022					
Investment Maturities (in years)					
	Carrying Amount	Less than 1	1-5	6-10	More than 10
Certificates of deposit	\$ 4,815,235	\$ 4,815,235	\$ -0-	\$ -0-	\$ -0-

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

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

WOODLAWN HEALTH

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

Deposits and investments consist of the following as of December 31, 2023 and 2022:

	2023	2022
Carrying amount		
Deposits	\$ 16,866,823	\$ 16,735,459
Investments	7,260,948	4,815,235
	\$ 24,127,771	\$ 21,550,694
Included in the following statement of net position captions:		
Cash and cash equivalents	\$ 12,362,332	\$ 10,899,051
Board designated investments	11,765,439	10,651,643
	\$ 24,127,771	\$ 21,550,694

Investment income for the years ended December 31, 2023 and 2022 consisted of interest income and was approximately \$672,000 and \$95,000, respectively.

6. CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2023 and 2022 is as follows:

	December 31, 2022	Additions	Retirements	Transfers	December 31, 2023
Nondepreciable capital assets					
Land	\$ 596,216	\$ -0-	\$ -0-	\$ -0-	\$ 596,216
Construction in progress	1,766,119	693,101	-0-	(2,441,556)	17,664
Total nondepreciable capital assets	2,362,335	693,101	-0-	(2,441,556)	613,880
Depreciable capital assets					
Land improvements	513,782	-0-	-0-	316,879	830,661
Buildings and fixtures	27,785,129	-0-	(66,927)	1,688,620	29,406,822
Equipment	8,835,887	337,570	(175,584)	436,057	9,433,930
Total depreciable capital assets	37,134,798	337,570	(242,511)	2,441,556	39,671,413
Less accumulated depreciation					
Land improvements	468,485	39,331	-0-	-0-	507,816
Buildings and fixtures	15,705,365	679,436	(66,927)	-0-	16,317,874
Equipment	7,039,278	358,139	(175,503)	-0-	7,221,914
Total accumulated depreciation	23,213,128	1,076,906	(242,430)	-0-	24,047,604
Total depreciable capital assets, net	13,921,670	(739,336)	(81)	2,441,556	15,623,809
Intangible right-to-use assets					
Leased building	1,850,011	-0-	-0-	-0-	1,850,011
Leased equipment	4,716,925	241,999	-0-	-0-	4,958,924
SBITA	1,704,625	-0-	-0-	-0-	1,704,625
Total intangible right-of-use assets	8,271,561	241,999	-0-	-0-	8,513,560
Less accumulated amortization					
Leased building	1,742,094	107,917	-0-	-0-	1,850,011
Leased equipment	2,245,144	913,712	-0-	-0-	3,158,856
SBITA	1,014,658	243,518	-0-	-0-	1,258,176
Total accumulated amortization	5,001,896	1,265,147	-0-	-0-	6,267,043
Total intangible right-to-use assets, net	3,269,665	(1,023,148)	-0-	-0-	2,246,517
Capital assets, net	\$ 19,553,670	\$ (1,069,383)	\$ (81)	\$ -0-	\$ 18,484,206

WOODLAWN HEALTH

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

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

There were no significant outstanding commitments surrounding capital assets as of December 31, 2023.

Intangible right-to-use assets

As of December 31, 2023 and 2022, the Hospital had one agreement in place for building space. The value of the leased building intangible right-to-use asset is amortized over the lease term, including renewable periods the Hospital is reasonably certain to exercise. The amortization period ran through 2023. The terms of the building space lease agreement are addressed in Note 9.

As of December 31, 2023 and 2022, the Hospital had nine and ten, respectively, lease agreements in place for medical equipment. The values of the leased equipment intangible right-to-use assets are amortized over the lease terms, including renewable periods the Hospital is reasonably certain to exercise. The amortization periods run from 2024 through 2026. The terms of the medical equipment lease agreements are addressed in Note 9.

As of December 31, 2023 and 2022, the Hospital had one SBITA in place for an all-inclusive electronic health record, general ledger, and payroll information technology software with no tangible asset component. The value of the SBITA intangible right-to-use asset is amortized over the SBITA term, including renewable periods the Hospital is reasonably certain to exercise. The amortization period runs through 2025. The terms of the SBITA are addressed in Note 9.

WOODLAWN HEALTH

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

7. LINE OF CREDIT

The Hospital has obtained a \$700,000 revolving line of credit with Lake City Bank. The line of credit is secured by all inventory, accounts, equipment, and general intangibles with an approximate net book value of \$18,224,000 and \$17,389,000 as of December 31, 2023 and 2022, respectively. The annual interest rate is floating rate equal to prime rate, which was 8.50% and 3.25% at December 31, 2023 and 2022, respectively. Interest is calculated on the outstanding principal and is due monthly. The line of credit matures in February 2028, at which time all unpaid principal is due. As of December 31, 2023 and 2022, the Hospital has not drawn down against the line of credit.

8. LONG-TERM DEBT

A summary of long-term debt as of December 31, 2023 and 2022 is as follows:

- The Hospital's \$7,300,000, Series 2007 Promissory Note is due in monthly installments of \$41,806 for 298 months at a fixed interest rate of 4.76% and commenced on January 1, 2009. A final installment of any unpaid principal and interest is due on December 1, 2033. The Series 2007 promissory note is secured by the related real estate with an approximate net book value of \$8,764,000 and \$9,105,000 as of December 31, 2023 and 2022, respectively. This note was issued for the renovation and expansion of the Hospital and its parking facilities together with the purchase of the project equipment.
- The Hospital's \$4,700,000, Series 2008 Promissory Note is due in monthly installments of \$26,916 for 298 months at a fixed interest rate of 4.76% and commenced on January 1, 2009. A final installment of any unpaid principal and interest is due on December 1, 2033. The Series 2008 promissory note is secured by the related real estate with an approximate net book value of \$8,764,000 and \$9,105,000 as of December 31, 2023 and 2022, respectively. This note was issued for the acquisition, construction, installation, and equipping of a medical office building together with the purchase of the project equipment.
- The Hospital has entered into a Promissory Note of \$1,460,432 (Fulton County Medical Clinic Note 1) due in monthly installments of \$16,031 for 120 months at a fixed interest rate of 5.75% that commenced on September 1, 2013. A final installment of any unpaid principal and interest was due on August 1, 2023. Any amounts remaining unpaid as of August 1, 2023 would have incurred a fixed interest rate of 12% on the remaining balance until paid. This note was not secured. This note was issued for the acquisition of certain fixed assets, inventory and intangible assets. The note was paid in full during 2023.
- The Hospital has entered into a Promissory Note of \$493,768 (Fulton County Medical Clinic Note 2) due in monthly installments of \$5,420 for 120 months at a fixed interest rate of 5.75% that commenced on September 1, 2013. A final installment of any unpaid principal and interest was due on August 1, 2023. Any amounts remaining unpaid as of August 1, 2023 would have incurred a fixed interest rate of 12% on the remaining balance until paid. This note was not secured. This note was issued for the acquisition of certain fixed assets, inventory and intangible assets. The note was paid in full during 2023.

WOODLAWN HEALTH

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

The following represents a progression of long-term debt for the Hospital for the years ended December 31, 2023 and 2022:

	December 31, 2022	Additional Borrowings	Payments	December 31, 2023	Current Portion	Long-term Portion
Direct borrowings - promissory notes						
Series 2007	\$ 4,147,898	\$ -0-	\$ (307,963)	\$ 3,839,935	\$ 324,178	\$ 3,515,757
Series 2008	2,667,963	-0-	(198,628)	2,469,335	207,244	2,262,091
Fulton County Medical Clinic Note 1	125,527	-0-	(125,527)	-0-	-0-	-0-
Fulton County Medical Clinic Note 2	42,441	-0-	(42,441)	-0-	-0-	-0-
Total long-term debt	<u>\$ 6,983,829</u>	<u>\$ -0-</u>	<u>\$ (674,559)</u>	<u>\$ 6,309,270</u>	<u>\$ 531,422</u>	<u>\$ 5,777,848</u>
	December 31, 2021	Additional Borrowings	Payments	December 31, 2022	Current Portion	Long-term Portion
Direct borrowings - promissory notes						
Series 2007	\$ 4,441,382	\$ -0-	\$ (293,484)	\$ 4,147,898	\$ 309,466	\$ 3,838,432
Series 2008	2,857,251	-0-	(189,288)	2,667,963	197,819	2,470,144
Fulton County Medical Clinic Note 1	305,042	-0-	(179,515)	125,527	125,527	-0-
Fulton County Medical Clinic Note 2	103,134	-0-	(60,693)	42,441	42,441	-0-
Total long-term debt	<u>\$ 7,706,809</u>	<u>\$ -0-</u>	<u>\$ (722,980)</u>	<u>\$ 6,983,829</u>	<u>\$ 675,253</u>	<u>\$ 6,308,576</u>

Aggregate maturities of long-term debt are as follows:

Year ending December 31,	Direct borrowings - promissory notes		
	Principal	Interest	Total
2024	\$ 531,422	\$ 296,108	\$ 827,530
2025	555,507	269,167	824,674
2026	582,917	241,756	824,673
2027	611,680	212,993	824,673
2028	641,317	183,356	824,673
2029 - 2033	3,386,427	408,573	3,795,000
	<u>\$ 6,309,270</u>	<u>\$ 1,611,953</u>	<u>\$ 7,921,223</u>

The Series 2007 and Series 2008 promissory notes require the Hospital to comply with certain restrictive financial covenants. The Hospital was in compliance with the financial and filing covenants as of December 31, 2023. The Hospital was not in compliance with the financial covenants as of December 31, 2022, but did obtain a waiver from the lender for the financial covenants for 2022.

9. LEASE AND SBITA LIABILITIES

Building Space Lease

The Hospital leased building space under an agreement that ran through 2023 and did not include a renewal option. Monthly payments were approximately \$18,000. The present value of the lease was determined using a discount rate based on the Hospital's incremental borrowing rate of 2.74% at lease enactment. The leased building space and accumulated amortization of the right-to-use asset are outlined in Note 6.

WOODLAWN HEALTH

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

There were no remeasurements during 2023 or 2022. Scheduled principal and interest payments on lease and SBITA liabilities for the years succeeding December 31, 2023 are as follows:

Year ending December 31,	Leased equipment		SBITA		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 778,194	\$ 53,893	\$ 259,680	\$ 10,144	\$ 1,037,874	\$ 64,037
2025	683,288	35,214	202,580	2,532	885,868	37,746
2026	329,650	18,277	-0-	-0-	329,650	18,277
	<u>\$ 1,791,132</u>	<u>\$ 107,384</u>	<u>\$ 462,260</u>	<u>\$ 12,676</u>	<u>\$ 2,253,392</u>	<u>\$ 120,060</u>

10. GOVERNMENT ACQUISITIONS

On August 1, 2013, the Hospital acquired the medical practice owned by Kenneth E. Hoff, M.D., P.C., d/b/a Fulton County Medical Clinic (the Clinic) for \$2,154,200 to further integrate care. The Hospital received certain fixed assets, inventory, and intangible assets in consideration for \$200,000 in cash and \$1,954,200 in long-term debt. See Note 1 for further discussion of the deferred outflows and Note 8 for further discussion of the promissory notes.

11. DEFINED CONTRIBUTION PENSION PLANS

Plan Descriptions

The Woodlawn Hospital 403(b) Tax Deferred Annuity Plan (403(b) Plan) and the Woodlawn Hospital 457(b) Deferred Compensation Plan (457(b) Plan) are defined contribution pension plans, as authorized by Indiana Code 16-22-3-11, administered by Lincoln National Life Insurance Company. The plans cover all employees who meet eligibility requirements as to age and length of service. The plans provide retirement, disability, and death benefits to plan members and beneficiaries. The plans were established by written agreements between the Hospital's Board of Trustees and the plan administrator.

Funding Policy

The contribution requirements of plan members are established by the written agreements between the Hospital's Board of Trustees and the plan administrator. 403(b) Plan and 457(b) Plan members may contribute a portion of their annual covered salary. The Hospital is required to contribute a matching amount from 10% to 50% of the employees' 403(b) Plan contribution based on years of service. Employer matching contributions to the 403(b) Plan for the calendar year 2023 and 2022 were \$239,000 and \$224,000, respectively. The Hospital is not permitted to contribute to the 457(b) Plan.

WOODLAWN HEALTH

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

12. CONCENTRATION OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of who are local residents and are insured under third party payor agreements. The mix of receivables and gross patient service revenues from patients and third party payors as of December 31, 2023 and 2022 was as follows:

	Receivables		Revenues	
	2023	2022	2023	2022
Medicare	36%	16%	43%	24%
Medicaid	16%	10%	21%	14%
Blue Cross	9%	12%	15%	22%
Other commercial payors	21%	39%	19%	38%
Self-pay	18%	23%	2%	2%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

13. SELF-INSURANCE

The Hospital is self-insured for employee health claims. A third party administrator processes the claims for the Hospital. The Hospital maintains an estimated liability for the amount of claims incurred but not reported. The Hospital also maintains reinsurance including a stop loss for individual employees over \$175,000 with an unlimited aggregate amount each year. Substantially all employees are covered for major medical benefits. The total health claims expense was approximately \$3,065,000 and \$6,548,000 for 2023 and 2022, respectively. Claim expenditures and liabilities of the fund are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Changes in the balance of claim liabilities during the past two years are as follows:

	2023	2022
Unpaid claims, beginning of fiscal year	\$ 573,876	\$ 631,896
Incurred claims and changes in estimates	3,065,477	6,548,015
Claims and expenses paid	<u>(3,249,111)</u>	<u>(6,606,035)</u>
Unpaid claims, end of fiscal year	<u>\$ 390,242</u>	<u>\$ 573,876</u>

14. RELATED PARTIES

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



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**REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Woodlawn Health
Rochester, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Woodlawn Health (the Hospital), a component unit of Fulton County, which comprise the statement of net position as of December 31, 2023, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 3, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Board of Trustees
Woodlawn Health
Rochester, Indiana

Report on Compliance and Other Matters

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

Purpose of this Report

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

Blue & Co., LLC

Indianapolis, Indiana
June 3, 2024