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August 11, 2023

Board of Trustees
Witham Health Services
2605 North Lebanon Street
Lebanon, IN 46052

We have reviewed the audit report of Witham Health Services which was opined on by Blue & Co., LLC, Independent Public Accountants, for the period January 1, 2022 to December 31, 2022. Per the *Report of Independent Auditors*, the financial statements included in the report present fairly the financial condition of the Witham Health Services as of December 31, 2022, 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



Small Hospital. Big Medicine.

FINANCIAL STATEMENTS

AND

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2022

CPAs / ADVISORS



WITHAM HEALTH SERVICES

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REPORT OF INDEPENDENT AUDITORS

Board of Trustees
Witham Health Services
Lebanon, Indiana

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Witham Health Services (the Hospital), a component unit of Boone County, and the Hospital's discretely presented component unit, Witham Health Services Foundation, Inc. (the Foundation) which comprise the statements of financial position as of December 31, 2022, and the related statements of revenue, expenses and changes in net position and cash flows for the year 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, 2022, and the respective changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinions.

Change in Accounting Principles

As described in Note 2 to the financial statements, the Hospital adopted Governmental Accounting Standards Board (GASB) Statement No. 87 – *Leases* and early adopted GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

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.

Board of Trustees
Witham Health Services
Lebanon, Indiana

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, including any currently known information that may raise substantial doubt shortly thereafter.

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.

Board of Trustees
Witham Health Services
Lebanon, Indiana

Report on Summarized Comparative Information

We have previously audited the Hospital's 2021 financial statements, and we expressed unmodified opinions on those audited financial statements in our report dated July 12, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 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.

Blue & Co., LLC

Indianapolis, Indiana
July 17, 2023

REQUIRED SUPPLEMENTARY INFORMATION

WITHAM HEALTH SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021 AND 2020)

This section of Witham Health Services' (the Hospital) annual financial statements presents background information and management's discussion and analysis (MD&A) of the Hospital's financial performance during the year ended December 31, 2022 with comparative amounts for December 31, 2021 and 2020. This MD&A includes a discussion and analysis of the activities and results of the Hospital's blended component units, the Boone County Hospital Association, Medical Office Properties, LLC and Central Indiana Health Association, Inc. and its discrete component unit, Witham Health Services Foundation, Inc. (the Foundation) and should be read in conjunction with the Hospital's financial statements that follow this MD&A.

FINANCIAL HIGHLIGHTS

- The Hospital's net position decreased approximately \$6,504,000 in 2022 compared to an increase of \$23,942,000 in 2021.
- The Hospital reported an operating loss of approximately \$1,109,000 for 2022, representing a decrease of \$15,507,000 in comparison to 2021 results. Operating income of \$14,398,000 was reported for 2021, which was an increase of \$31,182,000 in comparison to 2020.
- Total revenues increased by approximately \$9,630,000 in 2022 compared to 2021. In 2021, total revenue increased \$16,097,000 over 2020.
- The Hospital recognized approximately \$5,395,000 in nonoperating expense in 2022 compared to \$9,544,000 and \$38,366,000 in nonoperating revenue in 2021 and 2020, respectively. The change between years is primarily related to grants for COVID-19 pandemic funding of \$4,305,000, \$6,506,000, and \$32,353,000 in 2022, 2021 and 2020, respectively. Additional change between years relates to investment loss of \$8,341,000 in 2022 compared to investment return of \$3,252,000 and \$6,276,000 in 2021 and 2020, respectively.
- Long-term care services generated approximately \$299,223,000, \$278,035,000 and \$288,958,000 in patient service revenue during 2022, 2021 and 2020, respectively.
- In 2022, the Hospital adopted Governmental Accounting Standards Board Statement No. 87 – *Leases*, which requires certain leases to be recorded in the statements of net position. This statement was applied retrospectively to the financial statements within the MD&A.

USING THIS ANNUAL REPORT

The Hospital's financial statements consist of three statements – a statement of net position; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These financial statements and related notes provide information about the activities and the financial position of the Hospital. The statement of net position includes all of the Hospital's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Hospital creditors (liabilities). All of the current year's revenue earned and expenses incurred are accounted for in the statement of revenues, expenses and changes in net position. Finally, the statement of cash flows' purpose is to provide information about the Hospital's cash flows from operating activities, noncapital financing activities, financing activities including capital additions, and investing activities. This statement provides information on the sources and uses of cash and what was the change in cash balance during the year.

WITHAM HEALTH SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2022 (WITH COMPARATIVE TOTALS FOR 2021 AND 2020)

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

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. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Hospital's net position and changes in it. The Hospital's net position, the difference between assets and liabilities, is a measure the Hospital's financial health, or financial position.

Statements of Net Position

	2022	Restated 2021	2022-2021 Change	Restated 2020	2021-2020 Change
Assets					
Current assets	\$ 260,751,053	\$ 283,082,086	\$ (22,331,033)	\$ 263,803,789	\$ 19,278,297
Assets whose use is limited	5,965,653	6,525,192	(559,539)	14,621,093	(8,095,901)
Capital assets, net	169,173,072	167,186,100	1,986,972	163,397,354	3,788,746
Other assets	4,051,995	5,200,821	(1,148,826)	5,391,909	(191,088)
Total assets	439,941,773	461,994,199	(22,052,426)	447,214,145	14,780,054
Deferred outflows	730,769	835,165	(104,396)	939,561	(104,396)
Total assets and deferred outflows	<u>\$ 440,672,542</u>	<u>\$ 462,829,364</u>	<u>\$ (22,156,822)</u>	<u>\$ 448,153,706</u>	<u>\$ 14,675,658</u>
Liabilities					
Current liabilities	\$ 129,978,629	\$ 140,296,595	\$ (10,317,966)	\$ 146,194,705	\$ (5,898,110)
Long-term debt	21,927,000	27,186,226	(5,259,226)	32,387,664	(5,201,438)
Lease liabilities	7,497,979	7,095,398	402,581	4,982,472	2,112,926
Other liabilities	1,439,000	1,917,667	(478,667)	2,197,001	(279,334)
Total liabilities	160,842,608	176,495,886	(15,653,278)	185,761,842	(9,265,956)
Net position					
Net investment in capital assets	133,855,293	127,346,827	6,508,466	116,023,326	11,323,501
Restricted					
Trustee held for debt service and capital	8,555,936	8,521,238	34,698	16,525,868	(8,004,630)
Expendable for donor restriction	1,217,717	1,216,287	1,430	926,224	290,063
Total restricted	9,773,653	9,737,525	36,128	17,452,092	(7,714,567)
Unrestricted					
Other internal designations	1,884,000	2,362,667	(478,667)	2,642,001	(279,334)
Undesignated	134,316,988	146,886,459	(12,569,471)	126,274,445	20,612,014
Total unrestricted	136,200,988	149,249,126	(13,048,138)	128,916,446	20,332,680
Total net position	279,829,934	286,333,478	(6,503,544)	262,391,864	23,941,614
Total liabilities and net position	<u>\$ 440,672,542</u>	<u>\$ 462,829,364</u>	<u>\$ (22,156,822)</u>	<u>\$ 448,153,706</u>	<u>\$ 14,675,658</u>

Total assets and deferred outflows in 2022 decreased approximately \$22,157,000 over 2021 primarily due to cash decreasing \$52,564,000 over 2021. Investments, patient accounts receivable and other receivables increased \$29,561,000 from 2021.

WITHAM HEALTH SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2022 (WITH COMPARATIVE TOTALS FOR 2021 AND 2020)

Total liabilities in 2022 decreased approximately \$15,653,000 over 2021 mainly due to decreases in current liabilities related primarily to accounts payable and Medicare accelerated/advance payments as well as principal payments on long-term debt.

Total assets and deferred outflows in 2021 increased approximately \$14,676,000 over 2020 primarily due to cash increasing \$31,283,000 over 2020. Patient accounts receivable and assets whose use is limited decreased \$17,513,000 from 2020.

Total liabilities in 2021 decreased approximately \$9,266,000 over 2020 mainly due to decreases in current liabilities related primarily to accounts payable and Medicare accelerated/advance payments as well as principal payments on long-term debt.

Statements of Revenues, Expenses and Changes in Net Position

	2022	Restated 2021	2022-2021 Change	Restated 2020	2021-2020 Change
Revenues					
Net patient service revenue	\$ 467,668,971	\$ 458,634,311	\$ 9,034,660	\$ 439,318,416	\$ 19,315,895
Other operating revenue	9,478,069	8,882,395	595,674	12,101,302	(3,218,907)
Total revenues	477,147,040	467,516,706	9,630,334	451,419,718	16,096,988
Expenses					
Salaries and benefits	92,132,229	93,138,012	(1,005,783)	90,689,138	2,448,874
Supplies	83,528,915	81,151,245	2,377,670	86,875,089	(5,723,844)
Depreciation and amortization	11,622,513	11,541,718	80,795	10,976,092	565,626
Other operating expenses	290,972,351	267,288,052	23,684,299	279,663,366	(12,375,314)
Total expenses	478,256,008	453,119,027	25,136,981	468,203,685	(15,084,658)
Operating income (loss)	(1,108,968)	14,397,679	(15,506,647)	(16,783,967)	31,181,646
Nonoperating revenue (expense), net	(5,394,576)	9,543,935	(14,938,511)	38,366,421	(28,822,486)
Change in net position	(6,503,544)	23,941,614	(30,445,158)	21,582,454	2,359,160
Net position					
Beginning of year	286,333,478	262,391,864	23,941,614	240,809,410	21,582,454
End of year	\$ 279,829,934	\$ 286,333,478	\$ (6,503,544)	\$ 262,391,864	\$ 23,941,614

In 2021, the Hospital reported an operating income of approximately \$14,398,000 compared to an operating loss in 2022 of \$1,109,000, which is a change of \$15,507,000 from 2021. The main reason relates to increases in expenses of \$25,137,000 over increases in revenues of \$9,630,000 as 2022 expenses were higher due to inflationary measures combined with labor market challenges.

Nonoperating revenue (expense) consists primarily of investment return (loss), interest expense, Foundation revenue and expenses, and COVID-19 grant funds. The nonoperating items changed from a net revenue of approximately \$9,544,000 in 2021 to a net expense of \$5,395,000 in 2022. The decrease of \$14,939,000 is primarily due to a decrease grants funds recognized during 2022 from distributions to healthcare providers impacted by the outbreak of COVID-19 as well as a decrease in investment return from negative investment performance in 2022.

WITHAM HEALTH SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021 AND 2020)

Operating income in 2021 was approximately \$31,182,000 greater than operating loss of \$16,784,000 in 2020. The main reason relates to increases in operating revenues of \$16,097,000 and decreases in operating expenses of \$15,085,000 as 2020 expenses were higher due to COVID-19.

STATEMENT OF CASH FLOWS

The final required statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, noncapital and capital and related financing, and investing activities. Operating activities generated cash and cash equivalents of approximately \$19,655,000 in 2022. Capital and related financing activities used cash of \$19,688,000 in 2022. Two significant components of capital and related financing activities include cash used to purchase capital assets of \$12,971,000 and cash paid for principal and interest of \$6,717,000 in 2022. Investing activities used cash of \$53,821,000 in 2022 mainly due to purchase of investments with cash and cash equivalents.

	2022	Restated 2021	2022-2021 Change	Restated 2020	2021-2020 Change
Cash flows from					
Operating	\$ 19,654,540	\$ 46,207,929	\$ (26,553,389)	\$ 36,997,715	\$ 9,210,214
Noncapital financing	-0-	7,216,427	(7,216,427)	35,948,285	(28,731,858)
Capital and related financing	(19,687,514)	(19,123,583)	(563,931)	(22,979,460)	3,855,877
Investing	(53,821,353)	(9,908,418)	(43,912,935)	(16,340,544)	6,432,126
Change in cash and cash equivalents	\$ (53,854,327)	\$ 24,392,355	\$ (78,246,682)	\$ 33,625,996	\$ (9,233,641)

In 2021, cash and cash equivalents increased approximately \$24,392,000. In 2020, cash and cash equivalents increased \$33,626,000. The primary difference related to the decrease in noncapital financing of \$28,732,000 mainly due to governmental funds received for expenses incurred in response to COVID-19.

SOURCES OF REVENUE

During 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 66% of the Hospital's gross revenues in 2022, 65% in 2021, and 63% in 2020. Following is a table of major sources of gross patient revenues for 2022, 2021 and 2020:

	2022	2021	2020
Medicare	50%	49%	48%
Medicaid	16%	16%	15%
Commercial	30%	32%	34%
Self Pay	4%	3%	3%
	<u>100%</u>	<u>100%</u>	<u>100%</u>

WITHAM HEALTH SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021 AND 2020)

CAPITAL ASSETS

As of December 31, 2022, the Hospital had approximately \$169,173,000 invested in capital assets, net of accumulated depreciation and accumulated amortization, as detailed below.

	2022	Restated 2021	2022-2021 Change	Restated 2020	2021-2020 Change
Non-depreciable capital assets	\$ 26,972,621	\$ 18,956,672	\$ 8,015,949	\$ 20,081,359	\$ (1,124,687)
Depreciable capital assets	261,488,116	258,752,277	2,735,839	244,973,428	13,778,849
Intangible right-to-use assets	9,014,640	7,907,745	1,106,895	5,247,918	2,659,827
Total capital assets	297,475,377	285,616,694	11,858,683	270,302,705	15,313,989
Accumulated depreciation	(126,816,790)	(117,540,452)	(9,276,338)	(106,470,921)	(11,069,531)
Accumulated amortization	(1,485,515)	(890,142)	(595,373)	(434,430)	(455,712)
Capital assets, net	\$ 169,173,072	\$ 167,186,100	\$ 1,986,972	\$ 163,397,354	\$ 3,788,746

Net capital assets increased by approximately \$1,987,000 in 2022 compared to 2021 as current year additions outpaced depreciation and amortization expense. The change between 2021 and 2020 was \$3,789,000 as 2021 additions outpaced depreciation and amortization expense. More detailed information about the Hospital's capital assets is presented in the notes to the financial statements.

LONG-TERM DEBT

The Hospital's long-term debt consists of revenue bonds and loans payable. There were no new borrowings or significant changes in long-term debt during 2022, 2021 and 2020. More detailed information about the Hospital's long-term debt is presented in the notes to the financial statements.

ECONOMIC OUTLOOK

Management believes that the health care industry's and the Hospital's operating margins will continue to be under pressure due to a variety of factors including, but not limited to, uncertainty regarding health care reform, changes in payor and service mix, and growth in operating expenses that are in excess of the increases in contractually arranged and legally established payments received for services rendered. In addition, the adoption of high-deductible health plans by employers continues to occur and patients are increasingly being held responsible for more of the cost of health care. Consequently, the health care marketplace has been increasingly more competitive. The ongoing challenge facing the Hospital is to continue to provide quality patient care in this competitive environment, and to attain reasonable rates for the services that are provided while managing costs. The most significant factor affecting the Hospital is finding balance in maintaining and controlling labor costs in the face of pressures on volume and pricing for its services in this increasingly competitive, retail-like environment.

CONTACTING THE HOSPITAL'S FINANCIAL MANAGEMENT

This financial report is designed to provide patients, suppliers, taxpayers, and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact the Hospital Controller's Office, at PO Box 1200, Lebanon, IN, 46052.

WITHAM HEALTH SERVICES

STATEMENTS OF NET POSITION DECEMBER 31, 2022 (WITH COMPARATIVE TOTALS FOR 2021)

	2022		Restated 2021	
	Total Hospital	Foundation	Total reporting entity	Total reporting entity
ASSETS AND DEFERRED OUTFLOWS				
Current assets				
Cash and cash equivalents	\$ 72,927,050	\$ 2,983,305	\$ 75,910,355	\$ 128,474,232
Investments	97,325,896	2,486,006	99,811,902	74,353,613
Patient accounts receivable, less allowance for uncollectible accounts of \$12,240,000 in 2022 and \$13,272,000 in 2021	57,108,489	-0-	57,108,489	54,481,874
Other receivables	17,580,348	-0-	17,580,348	16,104,693
Inventory and other current assets	4,599,508	48,451	4,647,959	4,092,674
Current portion of assets whose use is limited	5,692,000	-0-	5,692,000	5,575,000
Total current assets	255,233,291	5,517,762	260,751,053	283,082,086
Assets whose use is limited				
Held by trustee for debt service and capital	8,555,936	-0-	8,555,936	8,521,238
Other board designated	1,884,000	-0-	1,884,000	2,362,667
Donor restricted	-0-	1,217,717	1,217,717	1,216,287
Total assets whose use is limited	10,439,936	1,217,717	11,657,653	12,100,192
Current portion	(5,692,000)	-0-	(5,692,000)	(5,575,000)
Noncurrent assets whose use is limited	4,747,936	1,217,717	5,965,653	6,525,192
Capital assets, net	169,173,072	-0-	169,173,072	167,186,100
Other assets				
Investment in affiliates and other	2,070,674	-0-	2,070,674	2,907,407
Other	1,981,321	-0-	1,981,321	2,293,414
Total other assets	4,051,995	-0-	4,051,995	5,200,821
Total assets	433,206,294	6,735,479	439,941,773	461,994,199
Deferred outflows				
	730,769	-0-	730,769	835,165
Total assets and deferred outflows	\$ 433,937,063	\$ 6,735,479	\$ 440,672,542	\$ 462,829,364

See accompanying notes to financial statements.

WITHAM HEALTH SERVICES

STATEMENTS OF NET POSITION DECEMBER 31, 2022 (WITH COMPARATIVE TOTALS FOR 2021)

	2022			Restated
			Total reporting entity	Total reporting entity
	Total Hospital	Foundation		
LIABILITIES AND NET POSITION				
Current liabilities				
Accounts payable	\$ 104,238,413	\$ -0-	\$ 104,238,413	\$ 96,198,398
Accrued salaries and related liabilities	14,375,489	-0-	14,375,489	16,372,541
Accrued expenses and other current liabilities	4,968,668	21,427	4,990,095	9,781,838
Medicare accelerated/advance payments	26,203	-0-	26,203	7,631,135
Unearned revenue - COVID-19	-0-	-0-	-0-	4,305,034
Estimated third-party settlements	455,629	-0-	455,629	450,000
Current portion of long-term debt				
Loans payable	12,226	-0-	12,226	71,439
Revenue bonds payable	5,247,000	-0-	5,247,000	5,130,000
Current portion of lease liabilities	633,574	-0-	633,574	356,210
Total current liabilities	129,957,202	21,427	129,978,629	140,296,595
Long-term debt, net of current portion				
Loans payable	-0-	-0-	-0-	12,226
Revenue bonds payable	21,927,000	-0-	21,927,000	27,174,000
Total long-term debt	21,927,000	-0-	21,927,000	27,186,226
Lease liabilities, net of current portion				
	7,497,979	-0-	7,497,979	7,095,398
Other liabilities				
Total liabilities	1,439,000	-0-	1,439,000	1,917,667
	160,821,181	21,427	160,842,608	176,495,886
Net position				
Net investment in capital assets	133,855,293	-0-	133,855,293	127,346,827
Restricted				
Trustee held for debt service and capital	8,555,936	-0-	8,555,936	8,521,238
Expendable for donor restriction	-0-	1,217,717	1,217,717	1,216,287
Total restricted	8,555,936	1,217,717	9,773,653	9,737,525
Unrestricted				
Other internal designations	1,884,000	-0-	1,884,000	2,362,667
Undesignated	128,820,653	5,496,335	134,316,988	146,886,459
Total unrestricted	130,704,653	5,496,335	136,200,988	149,249,126
Total net position	273,115,882	6,714,052	279,829,934	286,333,478
Total liabilities and net position	\$ 433,937,063	\$ 6,735,479	\$ 440,672,542	\$ 462,829,364

See accompanying notes to financial statements.

WITHAM HEALTH SERVICES

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION YEAR ENDED DECEMBER 31, 2022 (WITH COMPARATIVE TOTALS FOR 2021)

	2022		Restated 2021	
	Total Hospital	Foundation	Total reporting entity	Total reporting entity
Operating revenues				
Net patient service revenue	\$ 467,668,971	\$ -0-	\$ 467,668,971	\$ 458,634,311
Other operating revenue	9,478,069	-0-	9,478,069	8,882,395
Total operating revenues	477,147,040	-0-	477,147,040	467,516,706
Operating expenses				
Salaries and wages	70,656,281	-0-	70,656,281	69,984,726
Employee benefits	21,475,948	-0-	21,475,948	23,153,286
Professional medical fees	13,963,292	-0-	13,963,292	9,317,120
Purchased services	203,917,288	-0-	203,917,288	190,982,023
Supplies	83,528,915	-0-	83,528,915	81,151,245
Repairs and maintenance	6,479,813	-0-	6,479,813	6,337,960
Equipment and facility rental	41,402,050	-0-	41,402,050	45,903,531
Utilities	10,195,269	-0-	10,195,269	8,409,560
Depreciation and amortization	11,622,513	-0-	11,622,513	11,541,718
Insurance	2,031,322	-0-	2,031,322	1,707,734
HAF and HIP programs	10,317,628	-0-	10,317,628	2,163,527
Other expenses	2,665,689	-0-	2,665,689	2,466,597
Total operating expenses	478,256,008	-0-	478,256,008	453,119,027
Operating income (loss)	(1,108,968)	-0-	(1,108,968)	14,397,679
Nonoperating revenue (expense)				
Investment return (loss)	(7,816,319)	(524,555)	(8,340,874)	3,251,875
Interest expense	(1,032,323)	-0-	(1,032,323)	(1,133,389)
Foundation revenue	-0-	285,303	285,303	382,542
Foundation expense	-0-	(212,125)	(212,125)	(165,380)
Gain (loss) on investment in affiliates	(352,253)	-0-	(352,253)	777,158
COVID-19 grant funds	4,305,034	-0-	4,305,034	6,506,222
Other nonoperating expense	(47,338)	-0-	(47,338)	(75,093)
Total nonoperating revenue (expense), net	(4,943,199)	(451,377)	(5,394,576)	9,543,935
Change in net position	(6,052,167)	(451,377)	(6,503,544)	23,941,614
Net position				
Beginning of year	279,168,049	7,165,429	286,333,478	262,391,864
End of year	\$ 273,115,882	\$ 6,714,052	\$ 279,829,934	\$ 286,333,478

See accompanying notes to financial statements.

WITHAM HEALTH SERVICES

STATEMENTS OF CASH FLOWS YEAR ENDED DECEMBER 31, 2022 (WITH COMPARATIVE TOTALS FOR 2021)

	2022		Restated 2021	
	Total Hospital	Foundation	Total reporting entity	Total reporting entity
Operating activities				
Cash received from patient services	\$ 467,701,348	\$ -0-	\$ 467,701,348	\$ 473,679,480
Cash paid for salaries, wages and benefits	(94,129,281)	-0-	(94,129,281)	(143,115,142)
Cash paid to vendors and suppliers	(363,407,382)	-0-	(363,407,382)	(293,192,504)
Other receipts (disbursements), net	9,478,069	11,786	9,489,855	8,836,095
Net cash flows from operating activities	19,642,754	11,786	19,654,540	46,207,929
Noncapital financing activities				
COVID-19 grant funds	-0-	-0-	-0-	7,216,427
Capital and related financing activities				
Acquisition and construction of capital assets	(12,970,828)	-0-	(12,970,828)	(12,554,241)
Cash paid for interest on long-term debt	(819,923)	-0-	(819,923)	(934,814)
Principal payments on long-term debt	(5,201,439)	-0-	(5,201,439)	(5,096,257)
Cash paid for interest on lease liabilities	(268,374)	-0-	(268,374)	(253,434)
Principal payments on lease liabilities	(426,950)	-0-	(426,950)	(284,837)
Net cash flows from capital and related financing activities	(19,687,514)	-0-	(19,687,514)	(19,123,583)
Investing activities				
Investment return	(7,816,319)	(524,555)	(8,340,874)	3,251,875
Purchase of investments	(53,774,932)	(406,000)	(54,180,932)	(17,157,270)
Proceeds from sale of investments	8,055,477	997,229	9,052,706	3,219,819
Cash from investments in affiliates, net	(352,253)	-0-	(352,253)	777,158
Net cash flows from investing activities	(53,888,027)	66,674	(53,821,353)	(9,908,418)
Net change in cash and cash equivalents	(53,932,787)	78,460	(53,854,327)	24,392,355
Cash and cash equivalents				
Beginning of year	138,405,622	4,122,562	142,528,184	118,135,829
End of year	<u>\$ 84,472,835</u>	<u>\$ 4,201,022</u>	<u>\$ 88,673,857</u>	<u>\$ 142,528,184</u>
Reconciliation of cash and cash equivalents to the statements of net position				
Cash and cash equivalents				
Included in current assets	\$ 72,927,050	\$ 2,983,305	\$ 75,910,355	\$ 128,474,232
In investments	1,105,849	-0-	1,105,849	1,953,760
In assets whose use is limited - held by trustee	8,555,936	-0-	8,555,936	8,521,238
In assets whose use is limited - designated	1,884,000	-0-	1,884,000	2,362,667
In assets whose use is limited - donor restricted	-0-	1,217,717	1,217,717	1,216,287
Total cash and cash equivalents	<u>\$ 84,472,835</u>	<u>\$ 4,201,022</u>	<u>\$ 88,673,857</u>	<u>\$ 142,528,184</u>

See accompanying notes to financial statements.

WITHAM HEALTH SERVICES

STATEMENTS OF CASH FLOWS YEAR ENDED DECEMBER 31, 2022 (WITH COMPARATIVE TOTALS FOR 2021)

	2022			Restated 2021
	Total Hospital	Foundation	Total reporting entity	Total reporting entity
Reconciliation of operating income (loss) to net cash flows from operating activities				
Operating income (loss)	\$ (1,108,968)	\$ -0-	\$ (1,108,968)	\$ 14,397,679
Adjustment to reconcile operating income (loss) to net cash flows from operating activities				
Depreciation and amortization	11,622,513	-0-	11,622,513	11,541,718
Provision for bad debts	10,258,295	-0-	10,258,295	9,989,180
Changes in operating assets and liabilities				
Patient accounts receivable	7,691,013	-0-	7,691,013	11,682,483
Other receivables	(1,475,655)	-0-	(1,475,655)	5,223,227
Inventory and other current assets	(555,646)	361	(555,285)	466,737
Accounts payable	7,610,725	-0-	7,610,725	41,233,293
Accrued salaries and related liabilities	(1,997,052)	-0-	(1,997,052)	(49,977,130)
Accrued expenses and other current liabilities	(4,803,168)	11,425	(4,791,743)	6,113,709
Medicare accelerated/advance payments	(7,604,932)	-0-	(7,604,932)	(4,462,967)
Estimated third-party settlements	5,629	-0-	5,629	-0-
Net cash flows from operating activities	<u>\$ 19,642,754</u>	<u>\$ 11,786</u>	<u>\$ 19,654,540</u>	<u>\$ 46,207,929</u>
Noncash capital and related financing activities				
Capital asset acquisitions in accounts payable	\$ 429,290	\$ -0-	\$ 429,290	\$ 117,535
Capital assets acquired with leases	\$ 1,106,895	\$ -0-	\$ 1,106,895	\$ 2,659,827

See accompanying notes to financial statements.

WITHAM HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

1. SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity

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

In 2000, the Board of County Commissioners of Boone County, upon written request of the Hospital Board of Trustees, created the Boone County Hospital Association (the Association) pursuant to the provisions of IC 16-22-6 for the exclusive purpose of financing and constructing hospital facilities for the Hospital.

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.

The financial statements include certain prior year summarized comparative information in total but not by discrete component unit. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Hospital's financial statements as of December 31, 2021 and for the year ended, from which the summarized information was derived.

Blended Component Units

Blended component units, although legally separate entities are in substance part of the government's operations and exist solely to provide services for the government; data from these units is included with data of the primary government. The Hospital appoints a voting majority of the Medical Office Properties, LLC (MOP, LLC) and Central Indiana Health Association, Inc. (CIHA) boards and is able to impose its will and a financial benefit/burden relationship exists between the Hospital and MOP, LLC and CIHA. Although they are legally separate from the Hospital, MOP, LLC and CIHA are reported as if they were part of the Hospital because the boards are substantively the same and they provide services entirely or almost entirely to the Hospital. The Hospital is 100% owner of MOP, LLC and is the sole corporate member of CIHA. Thus, there is no non-controlling interest that is required to be disclosed.

The Association is a blended component unit within the Hospital's activities for financial reporting purposes. All significant transactions between the Hospital, MOP, LLC and CIHA and the Association have been eliminated for financial reporting purposes.

WITHAM HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 (WITH COMPARATIVE TOTALS FOR 2021)

Discrete Component Units

Discretely presented component units are involved in activities of an operational nature independent from the government; their transactions are reported in a separate column in the financial statements to emphasize they are legally separate from the primary government. They are financially accountable to the primary government, or have relationships with the primary government such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Witham Health Services Foundation, Inc. (the Foundation) is considered a discrete component unit for reporting purposes.

Long-Term Care Services

The Hospital owns the operations of various long-term care facilities through arrangements with multiple managers (the managers) of the long-term care 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 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 manage the facilities on behalf of the Hospital in accordance with the terms of the agreements. The agreements expire at various times through March 2027. All parties involved can terminate the agreements without cause with 90 days written notice. Rent expense for facilities and equipment under the long-term care leases was approximately \$40,485,000 and \$44,195,000 for 2022 and 2021, respectively. Annual rent expense for the next five years will approximate \$41,000,000 under these leases.

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 disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Measurement Focus and Basis of Accounting

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

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents include all demand deposits and investments in highly liquid debt instruments with an original maturity date of three months when purchased.

WITHAM HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 (WITH COMPARATIVE TOTALS FOR 2021)

Investments

Nonparticipating certificates of deposit, demand deposits and similar negotiable instruments that are not reported as cash and cash equivalents are reported as investments at contract value. Debt securities are defined as securities backed by the full faith and credit of the United States Treasury or fully insured or guaranteed by the United States or a United States Government Agency. Debt securities are reported at fair value. Mutual funds are reported at fair value based on the fund's market price. Other investments are generally reported at fair value. Investment income, including changes in the fair value of investments, is reported as non-operating income in the statements of revenues, expenses and changes in net position.

Patient Accounts Receivable and Net Patient Service Revenue

The Hospital provides services to patients who reside primarily in the local geographic region. Patient accounts receivable and patient service revenues are recorded when patient services 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 is reimbursed for Medicare and Medicaid inpatient services based on a fixed price per discharge for each diagnosis related grouping. The Hospital is reimbursed for Medicare 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.

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. These programs have audited the year-end cost report filed with the Medicare program through December 31, 2018.

Amounts for unresolved cost reports are reflected in estimated third-party settlements on the statements of net position. The change in net patient service revenue in the statements of revenues, expenses and changes in net position, due to differences between original estimates and subsequent revisions for the final settlement of cost reports were not significant for 2022 and 2021. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. Although these audits may result in some changes in these amounts, they are not expected to have a material effect on the accompanying financial statements.

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

Charity Care and Assistance to the Uninsured

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not collect amounts deemed to be charity care, they are not reported as revenue. Rather, charges approved for charity are posted to gross revenue and subsequently written off as a charity adjustment before the resulting net practice revenue. The charity care charges foregone during 2022 and 2021 were approximately \$2,095,000 and \$2,431,000, respectively. The Hospital did not change its charity care policy during 2022 and 2021.

WITHAM HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

Of the Hospital's total expenses reported, an estimated \$680,000 and \$756,000 arose from providing services to charity patients during 2022 and 2021, respectively. 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, which includes interest expense and excludes Hospital Assessment Fee Program expense, to gross patient service revenue. The Hospital has a policy with discounted rates similar to contractual payors for uninsured patients.

Other Receivables

Other receivables consist mainly of amounts due for reimbursement for long-term care services and are classified as current as they are expected to be received during 2023.

Inventory and Other Current Assets

Inventory is valued at the lower of cost or market with cost being determined on the first-in, first-out method. Inventory at year-end consists mainly of pharmaceuticals and medical supplies. Other current assets consist of prepaid expenses and various other current items. These assets are classified as current as they are expected to be utilized during 2023.

Assets Whose Use is Limited

Assets whose use is limited are stated at fair value in the financial statements. These assets include investments designated by the Hospital Board for internal purposes, investments held by trustees for debt service and capital improvements and assets that are donor restricted. These investments consist primarily of cash and cash equivalents, money market mutual funds, certificates of deposit, and mutual funds. Investment interest, dividends, gains and losses, both realized and unrealized are included in nonoperating revenue (expense) in the statements of revenues, expenses and changes in net position.

Capital Assets

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 exceed \$1,000 and which meet certain useful life thresholds. 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	5 to 20 years
Buildings and improvements	10 to 40 years
Fixed equipment	10 to 40 years
Major moveable equipment	3 to 15 years
Minor equipment	3 to 15 years

WITHAM HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 (WITH COMPARATIVE TOTALS FOR 2021)

Intangible right-of use assets are recognized on the lease commencement date in an amount that represents the present value of the future lease payments over the lease term. Intangible right-to-use assets are amortized over the term of the current lease.

Deferred Outflows - Loss on Bond Refunding

Deferred outflows of resources represent a consumption of net position that applies to future periods and is recognized as an outflow of resources (expense/expenditure) over a period of time specific to the event which created the deferred outflow. During 2017, the Hospital recorded a loss on bond refunding of its Series 2010 Bonds of approximately \$1,253,000 which is amortized through 2029 as a component of interest expense.

Other Long-Term Liabilities

Other long-term liabilities consist of obligations and commitments related to community supported programs and activities. As of December 31, 2022, the long-term and current portions were approximately \$1,439,000 and \$445,000, respectively. As of December 31, 2021, the long-term and current portions were \$1,918,000 and \$445,000, respectively. The total decrease from 2021 to 2022 of \$479,000 related to the amortization of payments during 2022. The decrease of \$279,000 from the December 31, 2020 total balance of \$2,642,000 to December 31, 2021 total balance was comprised of amortization of payments of \$453,000 with additional payments for sponsorships of \$174,000. The current portion is included in accrued expenses and other current liabilities on the statements of net position. Commitments expire at various times through 2026.

Net Position

Net position of the Hospital is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted includes net position held by trustee for debt service requirements and capital or donor restrictions. Unrestricted net position includes designated for capital improvements and undesignated net position that does not meet the definition of invested in capital assets net of related debt or restricted.

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 revenues and expenses. Peripheral or incidental transactions such as investment activities are reported as nonoperating revenue and expense.

Restricted Resources

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

WITHAM HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 (WITH COMPARATIVE TOTALS FOR 2021)

Grants and Contributions

From time to time, the reporting entity receives grants and contributions from governmental agencies, individuals and private organizations. Revenues from grants and contributions are recognized when all requirements are met. Grants may be restricted for either specific operation purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue. 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 liabilities within the statements of net position.

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.

The Association is a governmental instrumentality organized under IC 16-22-6 and is exempt from Federal income tax under Section 115 of the Internal Revenue. As such, the Association is generally exempt from income taxes and is not required to file Federal Form 990 – Return of Organization Exempt from Income Tax.

The Foundation and CIHA are tax-exempt organizations under section 501(c)(3). As such, they are generally exempt from income taxes. However, they are required to file Federal Form 990 – Return of Organization from Income Tax.

MOP, LLC is organized as a limited liability company, whereby net taxable income is taxed directly to the members and not the entity. Thus, the financial statements do not include any provision for Federal or state income taxes.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Hospital (and its affiliates) and recognize a tax liability if the Hospital has taken an uncertain position that more likely than not would not be sustained upon examination by various Federal and state taxing authorities. Management has analyzed the tax positions taken by the Hospital and has concluded that as of December 31, 2022 and 2021, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. The Hospital is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

These entities have filed their Federal and state income tax returns for periods through December 31, 2021. These income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

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.

WITHAM HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 (WITH COMPARATIVE TOTALS FOR 2021)

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; employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settlements, if any, did not exceed coverage for any of the past three fiscal years.

Medical Malpractice

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

The Hospital is a member in a captive insurance company, Suburban Health Organization Segregated Portfolio Company, LLC, to fund the Hospital's required portion of the professional and physician insurance coverage pursuant to the Act as well as its general liability insurance and excess coverage. In addition, the Hospital maintains a commercial umbrella/excess liability policy with a limit of \$1,000,000 each occurrence, \$1,000,000 fire legal liability, \$1,000,000 personal and advertising injury, and a \$3,000,000 total policy aggregate. No claims have been settled during the past three years that have exceeded policy coverage limits. The cost of this insurance policy represents the Hospital's cost for such claims for the year, and it has been charged to operations as a current expense.

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

Litigation

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

Advertising

The Hospital's policy is to expense advertising costs when the advertising first takes place. Advertising expense was approximately \$34,000 and \$39,000 for 2022 and 2021, respectively.

WITHAM HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

Reclassifications

Certain summarized amounts in the 2021 total column have been reclassified to conform with the 2022 presentation. There was no change in previously reported net position or change in net position in 2021 related to these reclassifications.

Subsequent Events

The Hospital evaluated events or transactions occurring subsequent to 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 was July 17, 2023.

2. CHANGE IN ACCOUNTING PRINCIPLES

GASB Statement No. 87 - Leases

In 2022, the Hospital adopted Governmental Accounting Standards Board (GASB) Statement No. 87 – *Leases* (GASB 87), which requires all leases that have a maximum possible term greater than 12 months to be recorded in the statements of net position. Previously, leases classified as operating leases were not recorded in the statements of net position. The following table outlines the retrospective adjustments necessary to adopt this GASB statement.

	December 31,	
	2021	2020
Net position, previously reported	\$ 286,767,483	\$ 262,654,994
GASB 87 implementation effect:		
Capital assets, net	7,017,603	4,813,488
Lease liabilities	(7,451,608)	(5,076,618)
Net change in net position	(434,005)	(263,130)
Net position, restated	<u>\$ 286,333,478</u>	<u>\$ 262,391,864</u>

GASB Statement No. 96 – Subscription-Based Information Technology Arrangements (SBITAs)

During 2022, the Hospital early adopted GASB Statement No. 96 – *SBITAs* (GASB 96), which requires SBITAs that have a maximum possible term greater than 12 months to be recorded in the statement of net position. Previously, SBITAs classified as expense were not recorded in the statement of net position. This GASB statement was adopted, applied retrospectively, and did not have a significant impact on Hospital's financial statements.

WITHAM HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

3. NET PATIENT SERVICE REVENUE

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

A summary of the reimbursement arrangements with major third-party payors is as follows:

Medicare

Medicare inpatient services are reimbursed based on a predetermined amount for each case based on the diagnosis associated with the patient (Prospective Payment Hospital). These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The prospectively determined rates are not subject to retroactive adjustment. The Hospital's classification of patients under the Prospective Payment Hospital and the appropriateness of patient admissions are subject to validation reviews by the Medicare peer review organization, which is under contract with the Hospital to perform such reviews. Medicare outpatient services are primarily reimbursed on predetermined rates based on the services provided.

Medicaid and Hospital Assessment Fee and Healthy Indiana Plan Programs

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

The Hospital participates in the State of Indiana's Hospital Assessment Fee (HAF) Program. The purpose of HAF is to fund the State share of enhanced Medicaid payments and Medicaid Disproportionate Share (DSH) payments for Indiana hospitals as reflected in the HAF and HIP programs expense reported in the statements of revenues, expenses and changes in net position. 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 the Healthy Indiana Plan (HIP) Program, the State's Medicaid expansion program. The payments related to HIP mirror the Medicaid payments under HAF, but the funding includes physician, state administration, and certain non-hospital expenditures. During 2022 and 2021, the Hospital recognized HAF and HIP programs expense of approximately \$10,318,000 and \$2,164,000, respectively, which resulted in increased Medicaid reimbursement. HAF and HIP assessments are included in the statements of revenues, expenses and changes in net position as operating expenses. The Medicaid rate increases under HAF and HIP are included in patient service revenue in the statements of revenues, expenses and changes in net position.

As a governmental entity, the Hospital is also eligible for the Indiana Medicaid Supplemental programs including Medicaid DSH and Municipal Upper Payment Limit programs. The Hospital recognized reimbursement from these programs within net patient revenue of \$-0- and approximately \$1,824,000 during 2022 and 2021, respectively. These programs are administered by the State of Indiana but rely on Federal funding.

WITHAM HEALTH SERVICES

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Other Payors

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

The following is a summary of net patient service revenue for 2022 and 2021:

	2022	2021
Inpatient routine services	\$ 27,739,371	\$ 26,819,464
Inpatient ancillary services	72,281,472	70,952,641
Outpatient ancillary services	413,515,498	425,484,831
Long-term care	299,222,750	278,034,585
Gross patient service revenue	812,759,091	801,291,521
Contractual allowances	(332,737,048)	(330,236,842)
Charity care	(2,094,777)	(2,431,188)
Provision for bad debts	(10,258,295)	(9,989,180)
Deductions from revenue	(345,090,120)	(342,657,210)
Net patient service revenue	<u>\$ 467,668,971</u>	<u>\$ 458,634,311</u>

4. INVESTMENTS

Investments are primarily recorded at fair value (money market deposits and certificates of deposit recorded at contract value) and consist of the following as of December 31:

	2022	2021
Cash and cash equivalents	\$ 1,105,849	\$ 1,953,760
Certificates of deposit	1,064,752	1,060,384
Mutual funds	62,784,553	71,339,469
US Government securities	34,856,748	-0-
	<u>\$ 99,811,902</u>	<u>\$ 74,353,613</u>

5. ASSETS WHOSE USE IS LIMITED

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

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

Donor restricted – Amounts designated by donor restrictions to support Hospital programs.

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Assets whose use is limited that are required for obligations classified as current liabilities are reported in current assets. The composition of assets whose use is limited includes the following as of December 31:

	2022	2021
Held by trustee for debt service and capital		
Money market mutual funds	\$ 8,555,936	\$ 8,521,238
Other internally designated		
Cash and cash equivalents	1,884,000	2,362,667
Donor restricted		
Cash and cash equivalents	1,217,717	1,216,287
Total assets whose use is limited	\$ 11,657,653	\$ 12,100,192

6. DEPOSITS AND INVESTMENTS

Deposits with financial institutions in the State of Indiana at year-end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

Investments are carried at fair value except for certificates of deposit and money market deposit funds which are carried at contract value. Net realized gains and losses on security transactions are determined on the specific identification cost basis. As of December 31, 2022 and 2021, 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, 2022					
Investment Maturities (in years)					
	Carrying Amount	Less than 1	1-5	6-10	More than 10
Certificates of deposit	\$ 1,064,752	\$ 1,064,752	\$ -0-	\$ -0-	\$ -0-
Mutual funds	62,784,553	62,784,553	-0-	-0-	-0-
US Government securities	34,856,748	34,856,748	-0-	-0-	-0-
	\$ 98,706,053	\$ 98,706,053	\$ -0-	\$ -0-	\$ -0-
December 31, 2021					
Investment Maturities (in years)					
	Carrying Amount	Less than 1	1-5	6-10	More than 10
Certificates of deposit	\$ 1,060,384	\$ 1,060,384	\$ -0-	\$ -0-	\$ -0-
Mutual funds	71,339,469	71,339,469	-0-	-0-	-0-
	\$ 72,399,853	\$ 72,399,853	\$ -0-	\$ -0-	\$ -0-

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 (WITH COMPARATIVE TOTALS FOR 2021)

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 deposit 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 US Government or US Government Agency obligations.

Concentration of credit risk – The Hospital maintains its investments, 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 investments.

Deposits and investments consist of the following as of December 31:

	2022	2021
Carrying amount		
Deposits	\$ 88,673,857	\$ 142,528,184
Investments	98,706,053	72,399,853
	<u>\$ 187,379,910</u>	<u>\$ 214,928,037</u>
Included in the statements of net position		
Cash and cash equivalents	\$ 75,910,355	\$ 128,474,232
Investments	99,811,902	74,353,613
Held by trustee	8,555,936	8,521,238
Designated	1,884,000	2,362,667
Donor restricted	1,217,717	1,216,287
	<u>\$ 187,379,910</u>	<u>\$ 214,928,037</u>

7. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described 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 or liabilities 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.
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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 (WITH COMPARATIVE TOTALS FOR 2021)

The asset 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 relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of December 31, 2022 and 2021.

- *Money market mutual funds*: Valued based at the subscription and redemption activity at a \$1 stable net asset value (NAV). However, on a daily basis the funds are valued at their daily NAV calculated using the amortized cost of securities.
- *Mutual funds*: Valued at the daily closing price as reported by the fund. Mutual funds held by the Hospital are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price.
- *US Government securities*: Valued at the closing price reported on the active market on which the individual securities are traded, when available. The fair value of the securities for which quoted market price is not available are valued based on yields currently available on comparable securities of issuers with similar credit ratings.

The following table sets forth by level, within the hierarchy, the Hospital's assets and liabilities measured at fair value on a recurring basis as of December 31, 2022 and 2021.

	December 31, 2022			
	Total	Level 1	Level 2	Level 3
Assets				
Investments				
Mutual funds				
Blend	\$ 13,620,668	\$ 13,620,668	\$ -0-	\$ -0-
Intermediate-term bond	45,854,216	45,854,216	-0-	-0-
Other	3,309,669	3,309,669	-0-	-0-
Total mutual funds	62,784,553	62,784,553	-0-	-0-
US Government securities				
Federal home loan mortgage	3,889,108	-0-	3,889,108	-0-
Treasury bills	30,967,640	-0-	30,967,640	-0-
Total US Government securities	34,856,748	-0-	34,856,748	-0-
	97,641,301	\$ 62,784,553	\$ 34,856,748	\$ -0-
Cash and cash equivalents	1,105,849			
Certificates of deposit	1,064,752			
Total investments	\$ 99,811,902			
Assets whose use is limited				
Money market mutual funds	\$ 8,555,936	\$ -0-	\$ 8,555,936	\$ -0-
Cash and cash equivalents	3,101,717			
Total assets whose use is limited	\$ 11,657,653			

WITHAM HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 (WITH COMPARATIVE TOTALS FOR 2021)

	December 31, 2021			
	Total	Level 1	Level 2	Level 3
Assets				
Investments				
Mutual funds				
Blend	\$ 15,000,077	\$ 15,000,077	\$ -0-	\$ -0-
Intermediate-term bond	53,157,439	53,157,439	-0-	-0-
Other	3,181,953	3,181,953	-0-	-0-
Total mutual funds	71,339,469	<u>\$ 71,339,469</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Cash and cash equivalents	1,953,760			
Certificates of deposit	1,060,384			
Total investments	<u>\$ 74,353,613</u>			
Assets whose use is limited				
Money market mutual funds	\$ 8,521,238	<u>\$ -0-</u>	<u>\$ 8,521,238</u>	<u>\$ -0-</u>
Cash and cash equivalents	3,578,954			
Total assets whose use is limited	<u>\$ 12,100,192</u>			

Realized gains and losses included in earnings are reported in the statements of revenues, expenses and changes in net position as a component of investment return. Differences between market value and cost of investments are classified as unrealized gains or losses. Unrealized gains or losses are included in earnings for the period attributable to the change in unrealized gains relating to assets held as of December 31, 2022 and 2021 and are reported in the statements of revenues, expenses and changes in net position as a component of investment return (loss).

The Hospital holds investments which are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements.

WITHAM HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 (WITH COMPARATIVE TOTALS FOR 2021)

8. CAPITAL ASSETS

A summary of capital assets including assets under leases for 2022 and restated 2021 follows. Additionally, the December 31, 2020 balances are restated:

	December 31, 2021	Additions	Retirements	Transfers	December 31, 2022
Non-depreciable capital assets					
Land	\$ 18,428,205	\$ 8,314,866	\$ -0-	\$ -0-	\$ 26,743,071
Construction in progress	528,467	498,326	-0-	(797,243)	229,550
Total non-depreciable capital assets	18,956,672	8,813,192	-0-	(797,243)	26,972,621
Depreciable capital assets					
Land improvements	3,190,419	83,412	-0-	112,015	3,385,846
Buildings and improvements	139,728,984	773,979	(190,193)	161,558	140,474,328
Equipment	115,832,874	3,729,535	(2,458,137)	523,670	117,627,942
Total depreciable capital assets	258,752,277	4,586,926	(2,648,330)	797,243	261,488,116
Less accumulated depreciation					
Land improvements	(2,946,510)	(63,477)	-0-	-0-	(3,009,987)
Buildings and improvements	(39,736,255)	(3,953,394)	-0-	-0-	(43,689,649)
Equipment	(74,857,687)	(7,010,269)	1,750,802	-0-	(80,117,154)
Total accumulated depreciation	(117,540,452)	(11,027,140)	1,750,802	-0-	(126,816,790)
Total depreciable capital assets, net	141,211,825	(6,440,214)	(897,528)	797,243	134,671,326
Intangible right-to-use assets					
Leased building space	7,503,686	-0-	-0-	-0-	7,503,686
Leased equipment	404,059	1,106,895	-0-	-0-	1,510,954
Total intangible right-of-use assets	7,907,745	1,106,895	-0-	-0-	9,014,640
Less accumulated amortization					
Leased building space	(849,736)	(434,103)	-0-	-0-	(1,283,839)
Leased equipment	(40,406)	(161,270)	-0-	-0-	(201,676)
Total accumulated amortization	(890,142)	(595,373)	-0-	-0-	(1,485,515)
Total intangible right-to-use assets, net	7,017,603	511,522	-0-	-0-	7,529,125
Capital assets, net	<u>\$ 167,186,100</u>	<u>\$ 2,884,500</u>	<u>\$ (897,528)</u>	<u>\$ -0-</u>	<u>\$ 169,173,072</u>

WITHAM HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 (WITH COMPARATIVE TOTALS FOR 2021)

	December 31, 2020	Additions	Retirements	Transfers	December 31, 2021
Non-depreciable capital assets					
Land	\$ 16,377,196	\$ 2,051,009	\$ -0-	\$ -0-	\$ 18,428,205
Construction in progress	3,704,163	675,735	-0-	(3,851,431)	528,467
Total non-depreciable capital assets	20,081,359	2,726,744	-0-	(3,851,431)	18,956,672
Depreciable capital assets					
Land improvements	3,190,419	-0-	-0-	-0-	3,190,419
Buildings and improvements	131,844,807	4,032,746	-0-	3,851,431	139,728,984
Equipment	109,938,202	5,912,286	(17,614)	-0-	115,832,874
Total depreciable capital assets	244,973,428	9,945,032	(17,614)	3,851,431	258,752,277
Less accumulated depreciation					
Land improvements	(2,909,895)	(36,615)	-0-	-0-	(2,946,510)
Buildings and improvements	(35,984,989)	(3,751,266)	-0-	-0-	(39,736,255)
Equipment	(67,576,037)	(7,298,125)	16,475	-0-	(74,857,687)
Total accumulated depreciation	(106,470,921)	(11,086,006)	16,475	-0-	(117,540,452)
Total depreciable capital assets, net	138,502,507	(1,140,974)	(1,139)	3,851,431	141,211,825
Intangible right-to-use assets					
Leased building space	5,247,918	2,255,768	-0-	-0-	7,503,686
Leased equipment	-0-	404,059	-0-	-0-	404,059
Total intangible right-of-use assets	5,247,918	2,659,827	-0-	-0-	7,907,745
Less accumulated amortization					
Leased building space	(434,430)	(415,306)	-0-	-0-	(849,736)
Leased equipment	-0-	(40,406)	-0-	-0-	(40,406)
Total accumulated amortization	(434,430)	(455,712)	-0-	-0-	(890,142)
Total intangible right-to-use assets, net	4,813,488	2,204,115	-0-	-0-	7,017,603
Capital assets, net	\$ 163,397,354	\$ 3,789,885	\$ (1,139)	\$ -0-	\$ 167,186,100

As of December 31, 2022, the Hospital did not have any significant construction commitments for future projects.

Intangible Right-to-Use Assets

In 2022, the Hospital adopted the guidance in GASB 87 and recognized the value of building space and equipment leased under long-term contracts. As of December 31, 2022 and 2021, the Hospital had two agreements in place for building space. The values of the building space intangible right-to-use assets are amortized over the lease terms including renewable periods the Hospital are reasonably certain to exercise. The amortization periods extend through lease expiration which are 2031 and 2044. The terms of the lease agreements are addressed in Note 10.

As of December 31, 2022 and 2021, the Hospital had three lease agreements in place for medical equipment. The values of the equipment intangible right-to-use assets are amortized over the lease terms including renewable periods the Hospital are reasonably certain to exercise. The amortization periods extend through lease expiration which are 2024 through 2027. The terms of the lease agreements are addressed in Note 10.

WITHAM HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 (WITH COMPARATIVE TOTALS FOR 2021)

9. LONG-TERM DEBT

A summary of long-term debt for 2022 and 2021 is as follows:

	December 31, 2021	Additional Borrowings	Payments	December 31, 2022	Current Portion
Direct borrowings/placements					
2015 Revenue bonds	\$ 11,409,000	\$ -0-	\$ 2,880,000	\$ 8,529,000	\$ 2,942,000
2017 Revenue bonds	20,895,000	-0-	2,250,000	18,645,000	2,305,000
Loans payable	83,665	-0-	71,439	12,226	12,226
	\$ 32,387,665	\$ -0-	\$ 5,201,439	\$ 27,186,226	\$ 5,259,226
	December 31, 2020	Additional Borrowings	Payments	December 31, 2021	Current Portion
Direct borrowings/placements					
2015 Revenue bonds	\$ 14,232,000	\$ -0-	\$ 2,823,000	\$ 11,409,000	\$ 2,880,000
2017 Revenue bonds	23,100,000	-0-	2,205,000	20,895,000	2,250,000
Loans payable	151,922	-0-	68,257	83,665	71,439
	\$ 37,483,922	\$ -0-	\$ 5,096,257	\$ 32,387,665	\$ 5,201,439

In September 2015, the Hospital issued the 2015 Revenue Bonds in the amount of \$27,083,000 through the Association. The Hospital, the Association and Commerce Bank (Commerce) entered into a Bond Purchase Agreement whereby Commerce purchased from the Association all of the 2015 Revenue Bonds in a private placement. The 2015 Revenue Bonds are due in semiannual installments through 2025 ranging from \$855,000 to \$1,526,000, with a fixed interest rate of 2.0667%. The 2015 Revenue Bonds are secured by the Hospital's net revenues. Commerce agreed to hold the 2015 Revenue Bonds through the maturity date in 2025.

In December 2017, the Hospital issued the 2017 Revenue Bonds in the amount of \$28,340,000 through the Association. The Hospital, the Association and BMO Harris Bank (BMO) entered into a Bond Purchase Agreement whereby BMO purchased from the Association all of the 2017 Revenue Bonds in a private placement. The 2017 Revenue Bonds are due in semiannual installments through 2030 ranging from \$990,000 to \$1,335,000, with a fixed interest rate of 2.330%. The 2017 Revenue Bonds are secured by the Hospital's net revenues. BMO agreed to hold the 2017 Revenue bonds through the maturity date in 2030.

The proceeds from the 2017 Revenue Bonds were used to refund the 2010 Revenue Bonds which resulted in a loss on defeasance of approximately \$1,253,000 during 2017. The loss on defeasance is included in deferred outflows as of December 31, 2022 and 2021 at approximately \$731,000 and \$835,000, respectively, and is amortized as a component of interest expense of \$104,000 annually through 2030.

Loans payable with local financial institution, due in monthly installments at a fixed interest rate of 4.50%, due through 2023, secured by property with net book value of approximately \$1,300,000 and \$1,500,000 as of December 31, 2022 and 2021, respectively.

Certain long-term debt agreements require the Hospital to maintain certain financial ratios. As of December 31, 2022 and 2021, the Hospital believed it was in compliance with the financial ratios.

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Scheduled principal and interest payments on long-term debt for the years succeeding December 31, 2022 are as follows:

Year Ending December 31,	Direct Borrowings/Placements		
	Principal	Interest	Total
2023	\$ 5,259,226	\$ 582,299	\$ 5,841,525
2024	5,368,000	467,072	5,835,072
2025	4,999,000	349,273	5,348,273
2026	2,470,000	255,019	2,725,019
2027	2,525,000	197,176	2,722,176
2028-2030	6,565,000	230,903	6,795,903
	\$ 27,186,226	\$ 2,081,742	\$ 29,267,968

10. LEASE LIABILITIES

In 2022, the Hospital adopted the guidance of GASB 87 for accounting and reporting leases that had previously been reported as operating leases.

Building Space Leases

The Hospital leases building space under lease agreements that run through 2026 and 2029 and include multiple renewal options that the Hospital will likely exercise extending the leases through 2031 and 2044. Monthly payments range from \$20,000 to \$22,000. The present value of each lease was determined using a discount rate based on the Hospital's incremental borrowing rates of 3.50% and 4.50%. The leased building space and accumulated amortization of the right-to-use assets are outlined in Note 8. The retrospective application is discussed in Note 2.

Equipment Leases

The Hospital leases medical equipment under lease agreements that run from 2024 through 2026. Two of the lease agreements have monthly payments range from approximately \$12,000 to \$13,000 and the third agreement requires a semi-annual payment of \$40,000. The present value of each lease was determined using a discount rate based on the Hospital's incremental borrowing rates ranging from 3.50% to 4.50%. The leased equipment and accumulated amortization of the right-to-use assets are outlined in Note 8. The retrospective application is discussed in Note 2.

The progressions for lease liabilities for 2022 and 2021 are as follows:

	December 31, 2021	Additions	Reductions	December 31, 2022	Current Portion
Lease liabilities					
Leased building space	\$ 7,083,169	\$ -0-	\$ (282,220)	\$ 6,800,949	\$ 302,301
Leased equipment	368,439	1,106,895	(144,730)	1,330,604	331,273
Total lease liabilities	\$ 7,451,608	\$ 1,106,895	\$ (426,950)	\$ 8,131,553	\$ 633,574

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	December 31, 2020	Additions	Reductions	December 31, 2021	Current Portion
Lease liabilities					
Leased building space	\$ 5,076,618	\$ 2,255,768	\$ (249,217)	\$ 7,083,169	\$ 282,219
Leased equipment	-0-	404,059	(35,620)	368,439	73,991
Total lease liabilities	<u>\$ 5,076,618</u>	<u>\$ 2,659,827</u>	<u>\$ (284,837)</u>	<u>\$ 7,451,608</u>	<u>\$ 356,210</u>

There were no remeasurements of leases during 2022 and 2021. Scheduled principal and interest payments on lease liabilities for the years succeeding December 31, 2022 are as follows:

December 31,	Leased Building Space		Leased Equipment		Total		Total Payments
	Principal	Interest	Principal	Interest	Principal	Interest	
2023	\$ 302,301	\$ 237,291	\$ 331,273	\$ 67,292	\$ 633,574	\$ 304,583	\$ 938,157
2024	323,183	227,618	355,605	48,476	678,788	276,094	954,882
2025	345,061	217,264	328,657	28,639	673,718	245,903	919,621
2026	367,433	206,197	195,771	13,900	563,204	220,097	783,301
2027	391,249	194,401	119,298	5,611	510,547	200,012	710,559
2028-2032	1,753,247	770,771	-0-	-0-	1,753,247	770,771	2,524,018
2033-2037	1,244,862	521,120	-0-	-0-	1,244,862	521,120	1,765,982
2038-2042	1,652,783	283,365	-0-	-0-	1,652,783	283,365	1,936,148
2043-2044	420,830	30,402	-0-	-0-	420,830	30,402	451,232
	<u>\$ 6,800,949</u>	<u>\$ 2,688,429</u>	<u>\$ 1,330,604</u>	<u>\$ 163,918</u>	<u>\$ 8,131,553</u>	<u>\$ 2,852,347</u>	<u>\$ 10,983,900</u>

11. PENSION PLAN

Plan Description

The Hospital has a defined contribution pension plan named Witham Health Services Contribution Plan (the Plan) as authorized by IC 16-22-3-11. The Plan provides retirement, disability and death benefits to plan members and beneficiaries who meet the eligibility requirements for age and hours worked. The Plan was established by written agreement between the Hospital Board of Trustees and Transamerica Retirement Solutions (the Plan Administrator). The Plan Administrator issues a publicly available financial report that includes financial statements and required supplementary information of the Plan. The report is available by contacting the Hospital's accounting department.

Funding Policy

The contribution requirements of Plan members are established by the written agreement between the Hospital Board of Trustees and the Plan Administrator. There are two parts to the Plan, the money purchase base contribution and the matching contribution. Plan members are not required to contribute to the money purchase base contribution portion of the Plan. The Hospital contributes either 2% or 3% based on the number of years of service for this portion of the Plan. Plan members may contribute to the matching contribution portion of the Plan up to the maximum allowed by the Internal Revenue Service. The Hospital matches up to either 3% or 4% of the employee's annual salary based on years of service and employee contributions. Pension expense was approximately \$3,181,000 and \$3,058,000 for 2022 and 2021, respectively.

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(WITH COMPARATIVE TOTALS FOR 2021)

12. INVESTMENTS IN AFFILIATED COMPANIES

Investments in organizations where the Hospital's ownership percentage is equal to or less than 50% are included in investment in affiliates on the statements of net position and approximated \$2,071,000 and \$2,907,000 as of December 31, 2022 and 2021, respectively. The Hospital's significant investment in affiliates includes a 33% interest in Witham St. Vincent Cancer Institute, LLC at \$460,000 and \$468,000 as of December 31, 2022 and 2021, respectively. Also, the Hospital has a 20% interest in its captive insurance company, Suburban Health Organization at \$1,359,000 and \$2,440,000 as of December 31, 2022 and 2021, respectively. The remaining investments in affiliates are not significant to the financial statements.

13. CONCENTRATION OF CREDIT RISK

The Hospital's main campus is located in Lebanon, Indiana and serves Lebanon and the surrounding communities. 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 revenues from patients and third-party payors as of December 31, 2022 and 2021 and for the years ended was as follows:

	Receivables		Revenues	
	2022	2021	2022	2021
Medicare	20%	17%	50%	49%
Medicaid	10%	10%	16%	16%
Commercial	50%	57%	30%	32%
Self-Pay and other	20%	16%	4%	3%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Under the long-term care leases, the Hospital recorded expenses related to purchased services from the managers of the facilities of approximately \$193,005,000 and \$179,242,000 during 2022 and 2021, respectively. Amounts due to the managers, included in current liabilities, as of December 31, 2022 and 2021 were \$103,692,000 and \$99,378,000 respectively.

14. RISK MANAGEMENT

The Hospital is self-funded for medical and related health benefits provided to employees and their families. A third-party administrator has been retained to process and present all benefit claims to the Hospital for payment. Under a stop/loss agreement, the Hospital is responsible for the funding of all claims and related administrative costs up to \$300,000 per individual per policy year. There is no aggregate limit for the plan under the stop loss agreement.

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. Self-funded health insurance and related expenses were approximately \$8,818,000 and \$11,024,000 in 2022 and 2021, respectively.

WITHAM HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

Changes in health claim liabilities for 2022 and 2021 are as follows:

	2022	2021
Unpaid claims, beginning of year	\$ 1,885,329	\$ 1,787,795
Incurred claims and changes in estimates	8,817,833	11,023,898
Claim payments	(9,628,428)	(10,926,364)
Unpaid claims, end of year	<u>\$ 1,074,734</u>	<u>\$ 1,885,329</u>

15. COVID-19 AND RELATED SUPPORT

Provider Relief Funds (PRF) authorized under the American Rescue Plan (ARP) and Coronavirus Aid, Relief, and Economic Security (CARES) Act were distributed to healthcare providers impacted by the outbreak of the COVID-19 pandemic. During 2021 and 2020, the Hospital received approximately \$7,216,000 and \$35,948,000, respectively, of these funds from ARP and CARES. PRF amounts were recognized to the extent the Hospital met the terms and conditions. The Hospital recognized PRF of \$4,305,000, \$6,506,000 and \$32,353,000 during 2022, 2021 and 2020, respectively, as COVID-19 grant funds within nonoperating revenue (expenses), net in the statements of revenues, expenses and changes in net position. The Hospital deferred PRF of \$-0-, \$4,305,000 and \$3,595,000 as of December 31, 2022, 2021 and 2020, respectively, which was included in unearned revenue – COVID-19 in current liabilities on the statements of net position.

The CARES Act also allowed health care providers to request accelerated and advanced payments for Medicare services. During 2020, the Hospital received approximately \$12,094,000 of accelerated and advanced Medicare payments under this CARES Act provision. Settlement of these funds began during 2021 and continued through 2022. The outstanding balances of \$26,000 and \$7,631,000 are included within current liabilities on the statements of net position as of December 31, 2022 and 2021, respectively.

Compliance with the terms and conditions may also be subject to future government review and interpretation as they are emerging and uncertain at the time the financial statements were available to be issued. There can be no assurance that regulatory authorities will not challenge the Hospital's compliance with the terms and conditions, and it is not possible to determine the impact (if any) such claims would have upon the Hospital.

16. BLENDED COMPONENT UNITS

The Hospital's financial statements include the accounts of its blended component units, the Association, MOP, LLC and CIHA as of and for the years ended December 31, 2022 and 2021. For separate financial information related to the blended component units, contact the Hospital Controller's Office, at PO Box 1200, Lebanon, IN, 46052.

WITHAM HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 (WITH COMPARATIVE TOTALS FOR 2021)

	2022			2021		
	Association	MOP, LLC	CIHA	Association	MOP, LLC	CIHA
Statements of net position						
Assets						
Current assets	\$ -0-	\$ 704,537	\$ 61,146,925	\$ -0-	\$ 539,952	\$ 77,134,627
Capital assets	33,338,867	2,894,090	19,578,218	35,210,699	2,884,170	11,394,647
Lease receivable from Hospital	27,002,786	13,252,698	-0-	32,460,602	13,697,794	-0-
Due from Hospital	30,523	-0-	-0-	3,331,515	-0-	-0-
Other assets	8,555,936	-0-	1,440,716	8,521,238	-0-	2,070,081
Total assets	<u>\$ 68,928,112</u>	<u>\$ 16,851,325</u>	<u>\$ 82,165,859</u>	<u>\$ 79,524,054</u>	<u>\$ 17,121,916</u>	<u>\$ 90,599,355</u>
Liabilities						
Current liabilities	\$ -0-	\$ 52,783	\$ 611,673	\$ -0-	\$ 895	\$ 487,564
Due to Hospital	1,896,532	-0-	11,545	1,920,378	-0-	478,106
Other liabilities	26,748,579	-0-	1,439,000	31,830,157	-0-	1,917,667
Total liabilities	28,645,111	52,783	2,062,218	33,750,535	895	2,883,337
Deferred inflows	27,002,786	13,252,698	-0-	32,460,602	13,697,794	-0-
Net position	13,280,215	3,545,844	80,103,641	13,312,917	3,423,227	87,716,018
Total liabilities, deferred inflows and net position	<u>\$ 68,928,112</u>	<u>\$ 16,851,325</u>	<u>\$ 82,165,859</u>	<u>\$ 79,524,054</u>	<u>\$ 17,121,916</u>	<u>\$ 90,599,355</u>
Statements of revenue, expenses and changes in net position						
Revenues	\$ 2,550,330	\$ 742,094	\$ 195,331	\$ 2,730,170	\$ 740,489	\$ 188,173
Expenses						
Depreciation	1,871,833	213,012	16,095	1,873,133	204,383	42,565
Other expenses	3,400	406,465	754,956	3,300	424,949	907,436
Total expenses	<u>1,875,233</u>	<u>619,477</u>	<u>771,051</u>	<u>1,876,433</u>	<u>629,332</u>	<u>950,001</u>
Operating income (loss)	675,097	122,617	(575,720)	853,737	111,157	(761,828)
Nonoperating	<u>(707,799)</u>	<u>-0-</u>	<u>(8,036,657)</u>	<u>(853,735)</u>	<u>-0-</u>	<u>2,601,085</u>
Excess revenue over expenses	(32,702)	122,617	(8,612,377)	2	111,157	1,839,257
Transfers (to) from Hospital	-0-	-0-	1,000,000	-0-	(1,133,932)	600,000
Change in net position	(32,702)	122,617	(7,612,377)	2	(1,022,775)	2,439,257
Net position						
Beginning of year	13,312,917	3,423,227	87,716,018	13,312,915	4,446,002	85,276,761
End of year	<u>\$ 13,280,215</u>	<u>\$ 3,545,844</u>	<u>\$ 80,103,641</u>	<u>\$ 13,312,917</u>	<u>\$ 3,423,227</u>	<u>\$ 87,716,018</u>
Statements of cash flows						
Cash provided by (used in)						
Operating activities	\$ 1,839,131	\$ 133,516	\$ 80,175	\$ 1,873,135	\$ 315,262	\$ 50,159
Capital and related financing activities	(1,871,832)	(9,920)	-0-	(1,869,888)	(1,253,836)	-0-
Investing activities	32,701	-0-	(8,000,000)	(3,247)	-0-	8,000,000
Total change	-0-	123,596	(7,919,825)	-0-	(938,574)	8,050,159
Cash equivalents						
Beginning of year	-0-	405,995	8,295,869	-0-	1,344,569	245,710
End of year	<u>\$ -0-</u>	<u>\$ 529,591</u>	<u>\$ 376,044</u>	<u>\$ -0-</u>	<u>\$ 405,995</u>	<u>\$ 8,295,869</u>

The lease receivable from the Hospital and the deferred inflows related to the Association and MOP, LLC are intercompany lease agreements between these blended component units and the Hospital under GASB 87 for lessor accounting. These amounts are eliminated for the Hospital's financial reporting purposes.



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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
Witham Health Services
Lebanon, Indiana

Report on the Financial Statements

We have audited, in accordance with the 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, the financial statements of Witham Health Services (the Hospital), a component unit of Boone County, which comprise the statement of net position as of December 31, 2022, 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 July 17, 2023.

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 were not identified.

Board of Trustees
Witham Health Services
Lebanon, Indiana

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
July 17, 2023



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**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE AND SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees
Witham Health Services
Lebanon, Indiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Witham Health Services' (the Hospital) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Hospital's major federal programs for the year ended December 31, 2022. 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 of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Program

We conducted our audit of compliance 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 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. 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 Responsibilities 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 generally accepted auditing standards, *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 judgement 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgement 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 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.

Board of Trustees
Witham Health Services
Lebanon, Indiana

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Hospital as of and for the year ended December 31, 2022 and have issued our report thereon dated July 17, 2023, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by the Uniform Guidance, is presented for purposes of additional analysis and is 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Blue & Co., LLC

Indianapolis, Indiana
July 17, 2023

WITHAM HEALTH SERVICES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2022

<u>Grantor/Program</u>	<u>Grant ID Number</u>	<u>Assistance Listing Number</u>	<u>Federal Expenditures</u>
Major program			
U.S. Department of Health and Human Services			
COVID-19 - Provider Relief Fund	N/A	93.498	<u>\$ 9,335,352</u>

See report on schedule of expenditures of federal awards as required by the Uniform Guidance on page 35.
See notes to schedule of expenditures of federal awards.

WITHAM HEALTH SERVICES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS DECEMBER 31, 2022

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Witham Health Services (the Hospital) under programs of the federal government for the year ended December 31, 2022 and is presented on the accrual basis of accounting. The information in the 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.

2. SUMMARY OF SIGNIFICANT POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures 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 Hospital has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

3. PASS-THROUGH FUNDS TO SUB-RECIPIENTS

During 2022, the Hospital did not pass-through funds to sub-recipients.

4. COVID-19 FEDERAL GRANTS

During 2021 and 2020, the Hospital received COVID-19 grants from the American Rescue Plan (ARP) and the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Under terms and conditions of ARP and CARES, the Hospital is required to report COVID-19 related expenses and lost revenue to the U.S. Department of Health and Human Services (HHS). Guidance from HHS has required the reporting of the COVID-19 related expenses and lost revenue in certain reporting periods based on when the funds were received.

HHS requires amounts received from January 1, 2021 through December 31, 2021, and expended through December 31, 2022, to be reported on the 2022 Schedule rather than the 2021 Schedule. As such, the Hospital received and expended approximately \$9,335,000 from January 1, 2021 through December 31, 2021 and reported in the 2022 Schedule.

5. FAIR MARKET VALUE OF DONATED PERSONAL PROTECTIVE EQUIPMENT (UNAUDITED)

During 2022, the Hospital did not receive donated personal protective equipment from federal sources.

WITHAM HEALTH SERVICES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2022

Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ___ yes x none reported

Significant deficiency(ies) identified that are
not considered to be material weakness(es)? ___ yes x none reported

Noncompliance material to financial statements noted? ___ yes x none reported

Federal Awards

Internal controls over major programs:

Material weakness(es) identified? ___ yes x none reported

Significant deficiency(ies) identified that are
not considered to be material weakness(es)? ___ yes x none noted

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

Any audit findings disclosed that are required to be
reported as defined by Uniform Guidance
[2 CFR 200.516(a)]? ___ yes x no

Identification of major program:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program(s) or Cluster(s)</u>
93.498	U.S. Department of Health and Human Services COVID-19 - Provider Relief Fund

Dollar threshold used to distinguish between
type A and B programs: \$ 750,000

Auditee qualified as low-risk auditee? ___ yes x no

**Section II – Findings related to financial statements reported in accordance with
Government Auditing Standards:**

No matters reported

Section III – Findings and questioned costs relating to Federal awards:

No matters reported

Section IV – Summary schedule of prior audit findings:

Not applicable