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302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

May 26, 2023

Board of Trustees
Memorial Hospital of Logansport
1101 Michigan Avenue
Logansport, IN 46947

We have reviewed the audit report of the Memorial Hospital of Logansport, which was opined upon by Blue & Co., LLC, Independent Public Accountants, for the period January 1, 2021 to December 31, 2021. Per the *Report of Independent Auditors*, the financial statements included in the report present fairly the financial condition of the Memorial Hospital of Logansport as of December 31, 2021, and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the finding included in the report on pages 43-44. Please see the Schedule of Findings and Questioned Costs for complete details related to the finding. Management's Corrective Action Plan appears at the end of the Schedule of Findings and Questioned Costs in the *Views of Responsible Officials and Planned Corrective Action* section.

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



MEMORIAL HOSPITAL OF LOGANSPORT

FINANCIAL STATEMENTS

AND

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2021 AND 2020

CPAs / ADVISORS



MEMORIAL HOSPITAL OF LOGANSPOUR

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Blue & Co., LLC / 500 N. Meridian Street, Suite 200 / Indianapolis, IN 46204
main 317.633.4705 fax 317.633.4889 email blue@blueandco.com

REPORT OF INDEPENDENT AUDITORS

Board of Trustees
Memorial Hospital of Logansport
Logansport, Indiana

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of Memorial Hospital of Logansport (the Hospital), a component unit of Cass County, which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of operations and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital as of December 31, 2021 and 2020, and the results of its operations, changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 2021 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. The 2020 financial statements were not audited under Government Auditing Standards and were audited in accordance with auditing standards generally accepted in the United States of America and the Uniform Compliance Guidelines for Audits of Hospitals and State and Local Governments by Authorized Independent Public Accountants, issued by the Indiana State Board of Accounts. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hospital and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Trustees
Memorial Hospital of Logansport
Logansport, Indiana

Responsibilities of Management for the Financial Statements

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

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

Board of Trustees
Memorial Hospital of Logansport
Logansport, Indiana

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audits of the 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 April 27, 2023 on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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.

Sincerely,

Blue & Co., LLC

Indianapolis, Indiana
April 27, 2023

MEMORIAL HOSPITAL OF LOGANSPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2021 AND 2020 (WITH COMPARATIVE TOTALS FOR 2019)

Management's discussion and analysis of Memorial Hospital of Logansport's (the Hospital) financial performance provides an overview of the Hospital's financial activities for the year ended December 31, 2021 with comparable information for 2020 and 2019. Please read it in conjunction with the Hospital's financial statements and accompanying notes to financial statements included in this report.

USING THIS ANNUAL REPORT

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

- In the "*management's discussion and analysis*" section of this report, management discusses various components of the annual report and provides an analysis of the current financial statement information.
- The "*basic financial statements*" section of this report includes a series of financial statements, which provide information about the activities of the Hospital as a whole. The statements of financial position reveal the assets, liabilities and net position of the Hospital on December 31, 2021 and 2020 while the statements of operations and changes in net position summarize the revenues and expenses, including nonoperating items for the years then ended. The statements of cash flows summarize the change in cash and cash equivalents as a result of operating, investing, and financing activities during the years. The notes to financial statements disclose additional information addressed within the body of the financial statements.

The Hospital is a not-for-profit acute care hospital, established in 1925. It is a county-owned facility and operates under the Indiana County Hospital Law. Operations include a state-licensed, 83 bed acute care medical center offering a full range of inpatient and outpatient medical services including 24-hour emergency care, surgical, specialty, medical imaging, cancer, family birth centers and physician clinics. The Cass County commissioners appoint the board of trustees of the Hospital. Although the Hospital is a governmental entity, the Hospital does not receive taxpayer support for operations.

MEMORIAL HOSPITAL OF LOGANSPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2021 AND 2020 (WITH COMPARATIVE TOTALS FOR 2019)

The mission of the Hospital is "Your Health...Our Passion." The Hospital's vision is that it "will exceed the needs and desires of our community – as an employer, as a provider, and as a health advocate." Logansport Memorial Hospital lives this mission and vision by continually striving to improve the delivery of care and the overall health of the community by creating and fostering strong partnerships both within the Hospital campus and the surrounding communities. The Hospital also focuses on improving internal processes to better the patient, physician, employee, and visitor experience while providing excellent care. The Hospital carries out its mission by focusing on its values as follows:

- Human Dignity
- Integrity
- Justice
- Service Excellence
- Stewardship

This management's discussion and analysis will include some of the highlights related to the operational and financial performance for 2021.

FINANCIAL HIGHLIGHTS

- Overall, net position decreased by approximately \$1.7 million during 2021 while operating loss was approximately \$5.6 million compared to 2020 where the net position increased approximately \$600,000 million while operating loss was approximately \$13.8 million. Operations improved due to volume increases during 2021 as the impacts of the COVID-19 pandemic were less than in 2020. In addition, the Hospital implemented a new medical records, billing, and accounts receivable system in 2020 and billing efficiencies improved during 2021.
- Assets limited to use decreased by approximately \$470,000 million in 2021 and \$6.7 million in 2020. Total current and long-term debt and interest rate swap liability decreased by approximately \$3 million in 2021 and \$2.3 million in 2020. The Hospital issued bonds in 2019 to primarily purchase a new electronic medical records and billing system. As of December 31, 2021, approximately \$2.1 million and \$3.4 million of the 2019 bond proceeds were included in assets limited as to use as the funds had not been yet expended. The Hospital was not in compliance with their debt service coverage ratio related to the 2013 and 2019 Bonds as of December 31, 2021. A waiver from the bondholders of the covenant subject to certain terms and conditions was obtained. However, the debt has been shown as current due to management's plan to pay off the debt in May 2023.
- Net capital assets increased by approximately \$1.8 million in 2021 and \$5.9 million in 2020. The Hospital purchased some of their new electronic medical records and billing system in 2021 and 2020 and completed renovations of the Obstetrician department during 2021.

MEMORIAL HOSPITAL OF LOGANSPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2021 AND 2020 (WITH COMPARATIVE TOTALS FOR 2019)

- Total operating revenues increased by approximately \$17.1 million in 2021 and decreased approximately \$12 million in 2020. The Hospital's operating margin for 2021 was equal to -4.9% compared to -14.2% for 2020. The factors impacting this will be discussed in greater detail herein.

USING THIS ANNUAL REPORT

The following pages will highlight certain financial statements of the Hospital and include a brief analysis. The financial statements of the Hospital explain the results of operations. The statement of operations and changes in net position summarizes the effect of the year's activities, while the statement of financial position summarizes the Hospital's net resources at the beginning and end of the year. The statement of financial position includes all assets and liabilities of the Hospital and provides information about the nature and amounts of investments in resources and obligations to its creditors. It also provides the basis for computing rate of return, evaluating the capital structure of the Hospital and assessing the liquidity and financial flexibility of the Hospital.

The statement of operations and changes in net position includes all the current year's revenue and expenses. The next financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the Hospital's cash flows from operating activities, capital, and financing activities, and investing activities, as well as providing information of the sources and uses of cash during the year.

THE HOSPITAL'S STATEMENT OF FINANCIAL POSITION

Table 1: A summary of the Hospital and component units statement of financial position as of December 31, 2021, 2020 and 2019 is presented below (in thousands):

	2021	2020	Change 2021 - 2020	2019	Change 2020 - 2019
Assets					
Current assets	\$ 54,069	\$ 62,401	\$ (8,332)	\$ 51,152	\$ 11,249
Assets limited to use (funded depreciation, escrow funds, contributions)	17,311	17,778	(467)	24,461	(6,684)
Capital assets	54,422	52,590	1,832	46,705	5,885
Pledges receivable	-0-	-0-	-0-	100	(100)
Other assets	279	279	-0-	279	-0-
Total assets	\$ 126,081	\$ 133,048	\$ (6,967)	\$ 122,697	\$ 10,351
Liabilities					
Current liabilities	\$ 43,672	\$ 26,801	\$ 16,871	\$ 14,730	\$ 12,071
Long-term debt and interest rate swap liability	307	22,404	(22,097)	24,719	(2,315)
Total liabilities	43,979	49,205	(5,226)	39,449	9,756
Net position					
Net investment in capital assets	32,362	27,729	4,633	19,339	8,390
Restricted	2,846	4,254	(1,408)	11,669	(7,415)
Unrestricted	46,894	51,860	(4,966)	52,240	(380)
Total net position	82,102	83,843	(1,741)	83,248	595
Total liabilities and net position	\$ 126,081	\$ 133,048	\$ (6,967)	\$ 122,697	\$ 10,351

MEMORIAL HOSPITAL OF LOGANSPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2021 AND 2020 (WITH COMPARATIVE TOTALS FOR 2019)

Overall, total assets decreased by approximately \$6.9 million in 2021 and increased by approximately \$10.4 million in 2020, primarily due to the new Electronic Medical Records System implementation. Total current assets decreased by approximately \$8.3 million during 2021 and increased by approximately \$11.2 million during 2020 primarily due to Medicare advanced payments received and subsequently paid as part of the Coronavirus Aid, Relief, and Economic Securities Act.

OPERATING RESULTS AND CHANGES IN THE HOSPITAL'S NET POSITION

Table 2: A summary of the Hospital and component units' statement of operations and changes in net position for 2021, 2020, and 2019 is presented below (in thousands):

	2021	2020	Change 2021 - 2020	2019	Change 2020 - 2019
Operating revenues					
Net patient service revenue	\$ 110,360	\$ 94,197	\$ 16,163	\$ 106,314	\$ (12,117)
Other revenue	4,064	3,090	974	2,960	130
Total operating revenues	<u>114,424</u>	<u>97,287</u>	<u>17,137</u>	<u>109,274</u>	<u>(11,987)</u>
Operating expenses					
Salaries and benefits	55,977	50,816	5,161	45,543	5,273
Supplies and other	59,894	56,035	3,859	51,175	4,860
Depreciation and amortization	4,165	4,267	(102)	4,726	(459)
Total expenses	<u>120,036</u>	<u>111,118</u>	<u>8,918</u>	<u>101,444</u>	<u>9,674</u>
Operating income (loss)	(5,612)	(13,831)	8,219	7,830	(21,661)
Total non-operating revenue (expense)	<u>3,871</u>	<u>14,426</u>	<u>(10,555)</u>	<u>(524)</u>	<u>14,950</u>
Change in net position	(1,741)	595	(2,336)	7,306	(6,711)
Net position, beginning of year	<u>83,843</u>	<u>83,248</u>	<u>595</u>	<u>75,942</u>	<u>7,306</u>
Net position, end of year	<u>\$ 82,102</u>	<u>\$ 83,843</u>	<u>\$ (1,741)</u>	<u>\$ 83,248</u>	<u>\$ 595</u>

OPERATING AND FINANCIAL PERFORMANCE

Revenue

Net patient revenue in the current year increased by approximately \$16.1 million as compared to 2020 and the 2020 net patient revenue decreased by approximately \$12.1 million compared to 2019. This is due to large drops in volume during 2020 related to the COVID-19 pandemic.

Volumes

The Hospital overall experienced increases in both outpatient and inpatient volumes during 2021 as impacts of the COVID-19 pandemic were not as great as in 2020. Elective procedures were suspended for part of 2020 in response to the pandemic. Inpatient days were approximately 5,500, 4,700, and 5,500 for 2021, 2020, and 2019. Outpatient volumes and visits increased during 2021 and decreased during 2020.

MEMORIAL HOSPITAL OF LOGANSPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2021 AND 2020 (WITH COMPARATIVE TOTALS FOR 2019)

Expenses

The increase in operating expenses of approximately \$8.9 million and \$9.7 million in 2021 and 2020 were primarily attributable to the increase in staffing and costs for employees and increases in the cost of supplies to help address the COVID-19 pandemic.

Non-operating Revenues (Expenses)

Non-operating revenues (expenses) decreased by approximately \$10.6 million in 2021 and increased by approximately \$15.0 million in 2020 primarily related to changes in COVID-19 relief funding provided by the federal government.

Overall Results

The Hospital, Foundation (one of the Hospital's blended component units), and Health Professional Resources (HPR) (also a blended component unit of the Hospital) experienced negative results during 2021 and positive results in 2020.

For the year ended 2021, the change in net position was approximately negative \$1.7 million compared to a positive change in net position of approximately \$600,000 million in 2020.

SOURCES OF REVENUE

During 2021, the Hospital derived substantially all of its revenue from patient service and other related activities. A significant portion of the patient service revenue is from patients that are insured by government health programs, principally Medicare and Medicaid, which are highly regulated and subject to frequent and substantial changes. Revenues from the Medicare and Medicaid programs represented 67%, 62%, and 61% of the Hospital's gross revenue in 2021, 2020, and 2019.

Following is a table of major sources of gross patient revenues for 2021, 2020 and 2019.

<u>Payor Mix</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Medicare	37%	41%	40%
Medicaid	30%	21%	21%
Commercial insurance	15%	18%	20%
Blue Cross/Anthem	16%	17%	16%
Self pay	2%	3%	3%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

MEMORIAL HOSPITAL OF LOGANSPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2021 AND 2020 (WITH COMPARATIVE TOTALS FOR 2019)

THE HOSPITAL'S STATEMENT OF CASH FLOWS

Table 3: A summary of the Hospital and component units' statement of cash flows for 2021, 2020 and 2019 is presented below (in thousands):

	2021	2020	Change 2021 - 2020	2019	Change 2020 - 2019
Cash flow from activities					
Operating activities	\$ (2,860)	\$ (5,422)	\$ 2,562	\$ 9,987	\$ (15,409)
Noncapital financing activities	3,383	14,661	(11,278)	196	14,465
Capital and related financing activities	(9,405)	(13,173)	3,768	2,879	(16,052)
Investing activities	1,159	(70)	1,229	52	(122)
Net change in cash and cash equivalents	<u>\$ (7,723)</u>	<u>\$ (4,004)</u>	<u>\$ (3,719)</u>	<u>\$ 13,114</u>	<u>\$ (17,118)</u>

The Hospital has experienced negative cash flows from operating activities for 2021 and 2020 and positive cash flows for 2019, totaling approximately \$1.4 million of positive cash flow from 2019 to 2021.

CAPITAL ASSETS

Net capital assets increased by approximately \$1.8 million in 2021 and \$5.9 million in 2020. The majority of the acquisitions were attributable to the new electronic medical records and billing system. The change in capital assets is outlined in the following table (in thousands):

	2021	2020	Change 2021 - 2020	2019	Change 2020 - 2019
Land and improvements	\$ 1,856	\$ 1,856	\$ -0-	\$ 1,856	\$ -0-
Buildings	72,068	65,419	6,649	65,009	410
Equipment	43,734	40,626	3,108	40,184	442
Total capital assets	<u>117,658</u>	<u>107,901</u>	<u>9,757</u>	<u>107,049</u>	<u>852</u>
Less accumulated depreciation	(76,517)	(72,353)	(4,164)	(68,090)	(4,263)
Construction in progress	13,281	17,042	(3,761)	7,746	9,296
Net capital assets	<u>\$ 54,422</u>	<u>\$ 52,590</u>	<u>\$ 1,832</u>	<u>\$ 46,705</u>	<u>\$ 5,885</u>

LONG-TERM DEBT

The Hospital had approximately \$22.1 million in short and long-term debt at year-end 2021, versus approximately \$24.8 million in 2020.

More detailed information about both capital assets and long-term debt is presented in the notes to the financial statements.

MEMORIAL HOSPITAL OF LOGANSPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2021 AND 2020 (WITH COMPARATIVE TOTALS FOR 2019)

ECONOMIC OUTLOOK

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

Management believes that the healthcare industry and the Hospital's operating margins will continue to be under pressure as a result of COVID-19, the changes in payor mix and growth in operating expenses, that exceed any increases in contractually arranged and legally established payments received for services provided. Another factor that poses a challenge to management is the increasing competitive market for the delivery of healthcare services. This competitive market challenge will potentially be offset by the expected growth in the service area. The Hospital will still be faced with the challenge of providing quality services in an increasingly competitive environment, while at the same time managing costs. The Hospital will be affected by the increases in labor costs due to the competition for healthcare workers. The Hospital is also affected by the uncertainty of federal healthcare reform.

CONCLUSION AND CONTACT INFORMATION

Memorial Hospital of Logansport intends to operate in a fashion that meets its community, operational, and financial obligations. This report is designed to provide a general overview of the Hospital and its finances to our stakeholders. Please address questions or requests regarding this financial report to the chief financial officer, at Memorial Hospital of Logansport, 1101 Michigan Avenue, Logansport IN, 46947.

MEMORIAL HOSPITAL OF LOGANSPORT

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2021 AND 2020

	ASSETS	
	2021	2020
Current assets		
Cash and cash equivalents	\$ 27,292,128	\$ 34,836,719
Patient accounts receivable	22,391,089	23,344,328
Current portion of pledges receivable	38,514	158,516
Supplies and other current assets	4,346,910	4,061,059
Total current assets	54,068,641	62,400,622
Assets limited as to use		
Internally designated	14,503,789	13,682,268
Held by trustee	2,100,018	3,393,369
Restricted by contributors and grantors	707,062	702,295
Total assets limited as to use	17,310,869	17,777,932
Capital assets		
Land and construction in progress	14,160,325	17,920,487
Depreciable capital assets, net	40,261,953	34,669,803
Total capital assets	54,422,278	52,590,290
Other assets	279,198	279,198
Total assets	\$ 126,080,986	\$ 133,048,042

See accompanying Notes to Financial Statements.

MEMORIAL HOSPITAL OF LOGANSPOUR

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2021 AND 2020

LIABILITIES AND NET POSITION

	2021	2020
Current liabilities		
Current portion of long-term debt and capital leases	\$ 21,890,000	\$ 2,778,727
Accounts payable and accrued expenses	12,313,828	11,054,195
Accrued payroll and related liabilities	3,327,997	2,883,422
Estimated third-party payor settlements	6,139,555	10,084,803
Total current liabilities	<u>43,671,380</u>	<u>26,801,147</u>
Non current liabilities		
Interest rate swap agreements	137,409	320,869
Long-term debt, net of current portion	170,000	22,083,000
Total liabilities	<u>43,978,789</u>	<u>49,205,016</u>
Net position		
Net investment in capital assets	32,362,278	27,728,563
Restricted		
Held by trustee	2,100,018	3,393,369
Expendable for specific operating activities	408,900	524,135
Nonexpendable permanent endowments	336,676	336,676
Unrestricted	46,894,325	51,860,283
Total net position	<u>82,102,197</u>	<u>83,843,026</u>
Total liabilities and net position	<u>\$ 126,080,986</u>	<u>\$ 133,048,042</u>

See accompanying Notes to Financial Statements.

MEMORIAL HOSPITAL OF LOGANSPORT

STATEMENTS OF OPERATIONS AND CHANGES IN NET POSITION YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Operating revenues		
Net patient revenue (net of provisions for bad debt)	\$ 110,359,862	\$ 94,197,474
Other	4,064,177	3,090,147
Total operating revenues	114,424,039	97,287,621
Operating expenses		
Salaries and benefits	55,976,521	50,816,122
Medical and other professional fees	13,627,092	10,717,869
Medical supplies and drugs	17,165,436	15,030,270
Other supplies	1,387,411	1,588,605
Depreciation	4,164,598	4,267,081
Rent and leases	1,429,035	1,423,247
Utilities and postage	1,414,267	1,397,336
Maintenance and repairs	631,589	796,613
Insurance	953,058	867,502
Hospital assessment fee	3,766,231	2,552,985
Purchased services and other	19,520,289	21,660,889
Total operating expenses	120,035,527	111,118,519
Operating loss	(5,611,488)	(13,830,898)
Nonoperating revenues (expenses)		
Investment income	870,893	653,288
Interest expense	(639,326)	(788,175)
COVID-19 grant funds	3,390,898	14,678,345
Noncapital grants and contributions	160,983	136,908
Other revenues (expenses)	87,211	(253,975)
Total nonoperating revenues (expenses)	3,870,659	14,426,391
Change in net position	(1,740,829)	595,493
Net position beginning of the year	83,843,026	83,247,533
Net position end of year	\$ 82,102,197	\$ 83,843,026

See accompanying Notes to Financial Statements.

MEMORIAL HOSPITAL OF LOGANSPORT

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Operating activities		
Cash received from patients and third party payors	\$ 111,304,137	\$ 86,573,056
Cash paid to employees for salaries and benefits	(55,531,946)	(50,429,561)
Cash paid to vendors for goods and services	(62,696,591)	(44,655,999)
Other operating receipts	4,064,177	3,090,147
Net cash flows from operating activities	(2,860,223)	(5,422,357)
Noncapital financing activities		
COVID-19 grant funds	3,390,898	14,678,345
Noncapital grants, contributions, and other	(7,807)	(17,813)
Net cash flows from noncapital financing activities	3,383,091	14,660,532
Capital and related financing activities		
Capital grants and contributions	120,002	152,436
Acquisition of capital assets	(6,084,364)	(10,031,591)
Principal paid on long-term debt	(2,801,727)	(2,985,645)
Proceeds from the issuance of long-term debt	-0-	480,560
Interest paid on long-term debt	(639,326)	(788,175)
Net cash flows from capital and related financing activities	(9,405,415)	(13,172,415)
Investing activities		
Investment income	870,893	653,288
Purchases of investments in assets whose use is limited	(137,990)	(1,128,317)
Proceeds from sale of investments in assets whose use is limited	426,355	405,247
Net cash flows from investing activities	1,159,258	(69,782)
Net change in cash and cash equivalents	(7,723,289)	(4,004,022)
Cash and cash equivalents at beginning of year	39,800,140	43,804,162
Cash and cash equivalents at end of year	\$ 32,076,851	\$ 39,800,140
Reconciliation of cash and cash equivalents to the statement of net position		
Cash and cash equivalents in current assets	\$ 27,292,128	\$ 34,836,719
Cash and cash equivalents in assets limited as to use	4,784,723	4,963,421
Total cash and cash equivalents	\$ 32,076,851	\$ 39,800,140

See accompanying Notes to Financial Statements.

MEMORIAL HOSPITAL OF LOGANSPOUR

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
	<u> </u>	<u> </u>
Reconciliation of operating income (loss) to net cash flows from operating activities		
Operating income (loss)	\$ (5,611,488)	\$ (13,830,898)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities		
Depreciation	4,164,598	4,267,081
Provision for bad debts	8,450,626	10,792,759
Changes in:		
Patient accounts receivable	(7,497,387)	(18,383,451)
Supplies, other current assets and other assets	(213,310)	(220,618)
Accounts payable and accrued expenses	1,347,411	2,666,146
Accrued payroll and related liabilities	444,575	386,561
Estimated third-party payor settlements	(3,945,248)	8,900,063
Net cash flows from operating activities	<u>\$ (2,860,223)</u>	<u>\$ (5,422,357)</u>
Noncash financing activities		
Property additions included in accounts payable	\$ 53,352	\$ 141,130

See accompanying Notes to Financial Statements.

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Memorial Hospital of Logansport (the Hospital) is a county-owned facility and operates under the Indiana County Hospital Law, Indiana Code 16-22. The Hospital provides acute care including inpatient, outpatient, and emergency care as well as long-term care to Cass County and other surrounding counties.

The Board of County Commissioners of Cass County appoints the Governing Board of the Hospital (Board), and a financial benefit/burden relationship exists between Cass County (the County) and the Hospital. For these reasons, the Hospital is considered a discrete component unit of the County.

The Board of County Commissioners of Cass County, upon written request of the Hospital Board of Trustees created the Memorial Hospital of Logansport Association (the Association). The Association, which is included in the Hospital, was created pursuant to the provisions of Indiana Code 16-22-6 for the exclusive purpose of financing and constructing hospital facilities for the Hospital. The Association is a component unit which has no assets, no liabilities and conducts no operating activities.

Pursuant to the provision of long-term care, beginning in 2012, the Hospital owns the operations of two long-term care facilities by way of an arrangement with the manager of the facilities. These facilities provide inpatient and therapy services. Generally, gross revenues from the operation of the facilities are the property of the Hospital and the Hospital is responsible for the associated operating expenses and working capital requirements. While the management and related lease agreements are in effect, the performance of all activities of the managers shall be on behalf of the Hospital and the Hospital retains the authority and legal responsibility for the operation of the facilities.

Related thereto, 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 manager. Concurrently, the Hospital entered into agreements with the manager to manage the above-leased facilities. As part of the agreements, the Hospital will pay the manager a management fee to continue managing the facilities on behalf of the Hospital in accordance with the terms of the agreements. These management fees consist of base management fees, subordinated management fees, and quarterly incentive payments. The agreements expire on July 1, 2024. The terms of these agreements may be renewed at the end of each term for an additional period of two years. All parties involved can terminate the agreement without cause with 120 days written notice.

Other current assets and liabilities related to long-term care include certain reimbursement receivables, accrued fees, and expenses, and working capital balances related to the long-term care facilities.

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

The accompanying financial statements present the activities of the Hospital (primary government) and its significant component units. The component units discussed below are included in the Hospital's reporting entity because of the significance of their operational or financial relationships with the Hospital. Blended component units, although legally separate entities, are in substance part of the government's operations and exist solely to provide services for the government; data from these units is with data of the primary government.

The financial statements of the Hospital are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business-type activities of Cass County attributable to the transactions of the Hospital and its blended component units. They do not purport to, and do not, present fairly the financial position of Cass County as of December 31, 2021 and 2020, the changes in its financial position or its cash flows for the years then ended.

Blended Component Units

Memorial Hospital Foundation of Cass County, Inc. d/b/a Memorial Hospital Foundation (the Foundation), is a significant blended component unit of the Hospital. The purpose of the Foundation is to assist in raising contributions from the community in order to enhance the ability of the Hospital to service the health needs of the patients it serves. The Hospital appoints a voting majority of the Foundation's Board, and a financial benefit/burden relationship exists between the Hospital and the Foundation. Although it is legally separate from the Hospital, the Foundation is reported as if it were a part of the Hospital because it is substantively the same.

Health Professional Resources, Inc., (HPR) is a significant blended component unit wholly owned by the Hospital. HPR operates a community pharmacy and provides food service for a local county mental health organization. The primary government appoints a voting majority of HPR's Board and is able to impose its will. Although it is legally separate from the Hospital, HPR is reported as if it were a part of the Hospital because the two boards are substantively the same.

All significant intercompany transactions have been eliminated in the financial statements.

Complete financial statements for these components can be requested from Hospital administration located at Memorial Hospital of Logansport, 1101 Michigan Avenue, Logansport IN, 46947.

Use of Estimates

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

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Enterprise Fund Accounting

The Hospital utilizes the enterprise fund method of accounting whereby revenue and expenses are recognized on the accrual basis of accounting. Substantially all revenues and expenses are subject to accrual.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits and investments in liquid debt instruments with an original maturity of three months or less.

Assets Limited as to Use

Assets whose use is limited are stated at fair value in the financial statements. These assets include investments designated by the Hospital's Board for internal purposes and investments held by trustees for debt service and capital improvements. These investments consist primarily of cash and cash equivalents, certificates of deposit, money market deposit accounts, mutual funds, and government securities. Amounts restricted by contributors or grantors consist of amounts designated to be restricted for a particular purpose in accordance with donor or grantor agency stipulations. Investment income, to the extent not capitalized, is reported as nonoperating revenue in the statements of operations and changes in net position.

Investments: Debt and Equity Securities and Other Investments

Debt and equity securities are reported at fair value. Debt securities are defined as securities backed by the full faith and credit of the United States Treasury, fully insured, or guaranteed by the United States or any United States government agency.

Nonparticipating certificates of deposit, demand deposits, and similar nonparticipating negotiable instruments that are not reported as cash and cash equivalents are reported as investments at cost.

Investments in affiliated companies are reported using the equity method of accounting, or at cost, as applicable.

Investment income, including changes in the fair value of investments, is reported as non-operating revenues in the statements of operations and changes in net position.

Capital Assets and Depreciation

Capital assets such as property and equipment are stated at cost and include expenditures for new additions and other costs added which exceed \$1,000 and 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.

MEMORIAL HOSPITAL OF LOGANSPOORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

The range of useful lives in computing depreciation is as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land improvements	\$1,000	Straight-line	20 years
Buildings	\$1,000	Straight-line	30 years
Equipment	\$1,000	Straight-line	3-15 years

For depreciated assets, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Patient Accounts Receivable and Revenues

Patient revenues and the related accounts receivable are recorded at the time services to patients are performed and are reported based on gross charges net of certain deductions from those charges. Management estimates an allowance for doubtful accounts receivable based on an evaluation of historical losses, current economic conditions, and other factors unique to the Hospital's customer base.

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.

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.

These programs have audited the year-end cost report filed with the Medicare program through December 31, 2016, with differences reflected as deductions from revenue. Amounts for unresolved cost reports for 2016 through 2021 as well as other allowances are reflected in estimated third-party settlements on the statements of financial position. Differences from the prior year estimates related to the cost report settlements have been deemed immaterial by management for financial statement disclosure.

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

The Hospital also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, 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. Patient charges under these programs, on which no interim payments have been received, are included in patient accounts receivable at the estimated net realizable value of such charges.

Hospital Assessment Fee (HAF) Program

The purpose of the HAF Program is to fund the State share of enhanced Medicaid payments and Medicaid Disproportionate Share payments for Indiana hospitals as reflected in the hospital assessment fee expense reported in the statements of operations and changes in net position.

Previously, the State share was funded by governmental entities through intergovernmental transfers. The Medicaid enhanced payments relate to both fee for service and managed care claims. The Medicaid enhanced payments are designed to follow the patients and result in increased Medicaid rates. During 2021 and 2020, the Hospital recognized hospital assessment fee expense of approximately \$3,766,000 and \$2,553,000, respectively, which resulted in increased Medicaid reimbursement.

Charity Care

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. Amounts deemed to be charity care are reported as deductions from revenues.

Of the Hospital's total expenses reported, an estimated \$903,000 and \$874,000 arose from providing services to charity patients during the years ended December 31, 2021 and 2020, respectively. The estimated costs of providing charity services are based on a calculation that applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on the Hospital's total expenses divided by gross patient service revenue.

Net Position

Net position of the Hospital is classified in various components. Net position – 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.

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Restricted expendable net position includes assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital, including amounts deposited with trustees as required by revenue note indentures. Unrestricted net position is remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Restricted Net Position

Expendable net position restricted for specific operating activities are available for the following purposes:

	2021	2020
Charity care	\$ 281,417	\$ 279,857
Capital campaign	34,176	157,093
Capital projects fund	48,072	47,324
Other	45,235	39,861
Total	<u>\$ 408,900</u>	<u>\$ 524,135</u>

When the Hospital has both restricted and unrestricted resources available to finance a particular program, it is the Hospital's policy to use restricted resources before unrestricted resources.

Restricted nonexpendable net position as of December 31, 2021 and 2020 represent the principal amounts of permanent endowments, restricted to investment in perpetuity. Investment earnings from the permanent endowments are expendable to support the activities of the Hospital.

Operating Revenues and Expenses

The Hospital's statements of operations and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services — the Hospital's principal activity. Non-exchange revenues including grants, and contributions received for purposes other than capital asset acquisition are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Grants and Contributions

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

MEMORIAL HOSPITAL OF LOGANSPOUR

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Pledges Receivable

The Foundation records unconditional promises to give (pledges) at fair value at the date the promise is received. Total pledges receivable is expected to be collected within one year of the statement of financial position date and are not material to the financial statements.

Compensated Absences

Short-Term Disability

The Hospital utilizes a short-term disability benefit program. The Hospital self-funds their short-term disability program as expenses is incurred.

Personal Leave

Hospital employees who work at least 32 hours per pay period earn personal leave at the rate of 72 to 144 hours per year based upon the number of years of service. Unused personal leave may be accumulated to a maximum of 240 hours. Accumulated personal leave is paid to employees through a lump sum cash payment upon separation of employment.

Personal leave is accrued when incurred and reported as a liability.

Federal or State Income Taxes

The Hospital is a governmental instrumentality organized under Title 16, Article 22, of the Indiana statutes. The Internal Revenue Service recognizes the Hospital as exempt from federal income tax as a charitable, educational, and scientific organization as described under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Memorial Hospital Foundation is also a 501(c)(3) not-for-profit organization. Health Professional Resources, Inc. is an Indiana corporation. Income taxes for HPR for those that are currently due and for deferred taxes have been deemed immaterial by management for separate disclosure within these financial statements.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Hospital (and its component units) and recognize a tax liability if the Hospital or its component units have taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities.

Management has analyzed the tax positions taken and has concluded that as of December 31, 2021 and 2020, 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 and its component units are subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Where applicable, these entities have filed their federal and state income tax returns for periods through December 31, 2020. 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).

Advertising

The Hospital uses advertising for recruiting and to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. The total amount of advertising expense was approximately \$709,000 and \$896,000 during 2021 and 2020, respectively, and are included within purchased services and other in the statements of operations and changes in net position.

Risk Management

The Hospital is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; job related illnesses or injuries to employees; medical benefits to employees and dependents. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims from these risks have not exceeded commercial insurance coverage for the past several years.

Other Revenue

Other revenue consists of pharmacy sales from one of the component units of approximately \$1,647,000 and \$1,426,000 for 2021 and 2020 after intercompany eliminations. The remainder of other revenue is generated by the Hospital and consists of cafeteria sales, revenue associated with renting and cleaning the medical office buildings, electronic health record incentive payments, and other.

Subsequent Events

The Hospital evaluated events or transactions occurring subsequent to the statement of financial position date for recognition and disclosure in the accompanying financial statements through the date the financial statements were available to be issued which is April 27, 2023.

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Recently Issued Accounting Standards

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*, which requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. In May 2020, the GASB issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postponed the effective date of GASB Statement No. 87, *Leases*, by 18 months. GASB Statement No. 87 will be effective for periods beginning after June 15, 2021.

The Hospital is presently evaluating the impact of this standard on its future financial statements.

2. CHANGE IN ACCOUNTING PRINCIPLE

During 2021, the Hospital implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will no longer be included in the historical cost of a capital asset reported in the Hospital's financial statements. This statement was adopted prospectively beginning in 2021.

3. FAIR VALUE MEASUREMENTS

The Hospital's investments are reported at fair value in the accompanying statements of financial position. Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction, which requires an entity to maximize the use of observable inputs when measuring fair value.

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.

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

- 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.

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 and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2021 and 2020. The Hospital does not have any level 3 assets or liabilities.

- *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 net asset value (NAV) and to transact at that price. The mutual funds held by the Hospital are deemed to be actively traded.
- *Equities*: Valued at the closing price reported on the active market on which the individual securities are traded.
- *Interest rate swap agreements*: Valued using pricing models that are derived principally from observable market data based on discounted cash flows and interest rate yield curves at quoted intervals for the full term of the swap.

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2021 and 2020 are as follows:

	2021			
	Total	Level 1	Level 2	Level 3
Assets				
Assets whose use is limited				
Mutual funds				
Intermediate-term bond	\$ 2,229,731	\$ 2,229,731	\$ -0-	\$ -0-
Large value	2,922,058	2,922,058	-0-	-0-
Total mutual funds	5,151,789	5,151,789	-0-	-0-
Equities				
Basic materials	49,703	49,703	-0-	-0-
Communication services	39,751	39,751	-0-	-0-
Consumer defensive	157,120	157,120	-0-	-0-
Energy	73,628	73,628	-0-	-0-
Financial services	226,250	226,250	-0-	-0-
Healthcare	92,303	92,303	-0-	-0-
Industrials	127,240	127,240	-0-	-0-
Real estate	129,295	129,295	-0-	-0-
Technology	268,864	268,864	-0-	-0-
Other	96,168	96,168	-0-	-0-
Total equities	1,260,322	\$ 1,260,322	\$ -0-	\$ -0-
Money market deposit accounts	4,784,723			
Accrued interest	18,815			
Certificates of deposit *	6,095,220			
Total assets whose use is limited	\$ 17,310,869			
Liabilities				
Interest rate swap agreements	\$ 137,409	\$ -0-	\$ 137,409	\$ -0-

* Certificates of deposit are reported at contract value

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

	2020			
	Total	Level 1	Level 2	Level 3
Assets				
Assets whose use is limited				
Mutual funds				
Intermediate-term bond	\$ 2,785,336	\$ 2,785,336	\$ -0-	\$ -0-
Large value	1,665,837	1,665,837	-0-	-0-
Total mutual funds	4,451,173	4,451,173	-0-	-0-
Equities				
Basic materials	45,566	45,566	-0-	-0-
Communication services	88,403	88,403	-0-	-0-
Consumer defensive	193,723	193,723	-0-	-0-
Energy	66,555	66,555	-0-	-0-
Financial services	222,598	222,598	-0-	-0-
Healthcare	85,496	85,496	-0-	-0-
Industrials	84,525	84,525	-0-	-0-
Real estate	92,360	92,360	-0-	-0-
Technology	184,084	184,084	-0-	-0-
Utilities	82,590	82,590	-0-	-0-
Total equities	1,145,900	\$ 1,145,900	\$ -0-	\$ -0-
Money market deposit accounts	4,963,421			
Accrued interest	28,776			
Certificates of deposit *	7,188,662			
Total assets whose use is limited	\$ 17,777,932			
Assets				
Interest rate swap agreements	\$ 320,869	\$ -0-	\$ 320,869	\$ -0-

* Certificates of deposit are reported at contract value

The Hospital's policy is to recognize transfers between levels as of the end of the reporting period. The Hospital did not have any transfers between levels as of December 31, 2021 and 2020.

Realized gains and losses and interest and dividend income are reported in the statements of operations and changes in net position as a component of investment income. Net realized gains and losses and interest and dividend income approximated \$272,000 and \$234,000 during 2021 and 2020, respectively.

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

The unrealized gains and losses are included in earnings for the period attributable to the change in unrealized gains and losses relating to assets held as of December 31, 2021 and 2020. During 2021 and 2020, the Hospital recognized unrealized gains of approximately \$599,000 and \$420,000, respectively, which is included in the statement of operations and changes in net position as a component of investment income.

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.

4. ASSETS LIMITED AS TO USE

The composition of assets limited as to use includes the following as of December 31:

	2021	2020
Internally designated		
Funded depreciation		
Money market deposit accounts	\$ 2,684,705	\$ 1,570,052
Investments	11,800,269	12,083,440
Accrued interest receivable	18,815	28,776
Total funded depreciation	<u>14,503,789</u>	<u>13,682,268</u>
Held by trustee		
Money market deposit accounts	2,100,018	3,393,369
Restricted by contributors and grantors		
Investments	<u>707,062</u>	<u>702,295</u>
Total assets limited as to use	<u>\$ 17,310,869</u>	<u>\$ 17,777,932</u>

5. DEPOSITS AND INVESTMENTS

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 generally at fair market value. Net realized gains and losses on security transactions are determined on the specific identification cost basis. Funded depreciation investments consist of certificates of deposits, mutual funds, and equities.

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

As of December 31, 2021 and 2020, 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, 2021

	Carrying Amount	Investment Matures (in years)			
		Less than 1	1-5	6-10	More than 10
Certificates of deposit	\$ 6,095,220	\$ 2,658,399	\$ 3,436,821	\$ -0-	\$ -0-
Mutual funds	5,151,789	5,151,789	-0-	-0-	-0-
Equities	1,260,322	1,260,322	-0-	-0-	-0-
	<u>\$ 12,507,331</u>	<u>\$ 9,070,510</u>	<u>\$ 3,436,821</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

December 31, 2020

	Carrying Amount	Investment Matures (in years)			
		Less than 1	1-5	6-10	More than 10
Certificates of deposit	\$ 7,188,662	\$ 2,374,502	\$ 4,814,160	\$ -0-	\$ -0-
Mutual funds	4,451,173	4,451,173	-0-	-0-	-0-
Equities	1,145,900	1,145,900	-0-	-0-	-0-
	<u>\$ 12,785,735</u>	<u>\$ 7,971,575</u>	<u>\$ 4,814,160</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

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 funds, mutual funds, pooled fund investments, securities backed by the full faith and credit of the United States Treasury and repurchase agreements. The statutes require that repurchase agreements be fully collateralized by U.S. Government or U.S. Government Agency obligations. It is the Hospital's policy to invest only in securities that meet the ratings requirements set by state statute.

Concentration of credit risk – The Hospital places no limit on the amount it may invest in any one issuer. The Hospital believes that it is not exposed to any significant credit risk on investments.

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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

	2021	2020
Carrying amount		
Deposits	\$ 32,076,851	\$ 39,800,140
Accrued interest	18,815	28,776
Investments	12,507,331	12,785,735
	\$ 44,602,997	\$ 52,614,651
Included in the balance sheet captions		
Cash and cash equivalents	\$ 27,292,128	\$ 34,836,719
Internally designated	14,503,789	13,682,268
Held by trustee for debt service	2,100,018	3,393,369
Restricted by contributors and grantors	707,062	702,295
	\$ 44,602,997	\$ 52,614,651

6. ACCOUNTS RECEIVABLE AND PAYABLE

Patient accounts receivable and accounts payable (including accrued expenses) reported as current assets and liabilities by the Hospital at year-end consisted of these amounts as of December 31, 2021 and 2020:

	2021	2020
Patient accounts receivable		
Receivable from patients and their insurance carriers	\$ 37,166,040	\$ 36,357,424
Receivable from Medicare	30,356,723	30,486,870
Receivable from Medicaid	9,936,754	15,698,630
Total patient accounts receivable	77,459,517	82,542,924
Less allowance for contractual agreements	(38,624,483)	(44,115,395)
Less allowance for doubtful accounts	(16,443,945)	(15,083,201)
Patient accounts receivable, net	\$ 22,391,089	\$ 23,344,328
Accounts payable and accrued expenses		
Payable to suppliers	\$ 12,313,828	\$ 11,054,195
Payable to employees (including payroll taxes and benefits)	3,327,997	2,883,422
Total accounts payable and accrued expenses	\$ 15,641,825	\$ 13,937,617

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

7. CAPITAL ASSETS

A summary of capital assets at December 31, 2021 and 2020 follows:

	Balance December 31, 2020	Additions	Retirements	Transfers	Balance December 31, 2021
Land	\$ 878,337	\$ -0-	\$ -0-	\$ -0-	\$ 878,337
Land improvements	977,581	-0-	-0-	-0-	977,581
Building and improvements	65,419,011	-0-	-0-	6,648,902	72,067,913
Equipment	40,625,728	1,841,516	-0-	1,266,330	43,733,574
Construction in progress	17,042,150	4,155,070	-0-	(7,915,232)	13,281,988
Total capital assets	124,942,807	5,996,586	-0-	-0-	130,939,393
Less accumulated depreciation					
Land improvements	(604,038)	(36,431)	-0-	-0-	(640,469)
Building and improvements	(40,753,606)	(2,043,901)	-0-	-0-	(42,797,507)
Equipment	(30,994,873)	(2,084,266)	-0-	-0-	(33,079,139)
Total accumulated depreciation	(72,352,517)	(4,164,598)	-0-	-0-	(76,517,115)
Capital assets, net	\$ 52,590,290	\$ 1,831,988	\$ -0-	\$ -0-	\$ 54,422,278
	Balance December 31, 2019	Additions	Retirements	Transfers	Balance December 31, 2020
Land	\$ 878,337	\$ -0-	\$ -0-	\$ -0-	\$ 878,337
Land improvements	977,581	-0-	-0-	-0-	977,581
Building and improvements	65,009,011	410,000	-0-	-0-	65,419,011
Equipment	40,183,977	446,228	(4,477)	-0-	40,625,728
Construction in progress	7,746,337	9,295,813	-0-	-0-	17,042,150
Total capital assets	114,795,243	10,152,041	(4,477)	-0-	124,942,807
Less accumulated depreciation					
Land improvements	(556,426)	(47,612)	-0-	-0-	(604,038)
Building and improvements	(38,897,882)	(1,855,724)	-0-	-0-	(40,753,606)
Equipment	(28,635,605)	(2,363,745)	4,477	-0-	(30,994,873)
Total accumulated depreciation	(68,089,913)	(4,267,081)	4,477	-0-	(72,352,517)
Capital assets, net	\$ 46,705,330	\$ 5,884,960	\$ -0-	\$ -0-	\$ 52,590,290

The estimated cost to complete outstanding construction projects at December 31, 2021 approximate \$6.3 million, primarily related to additional payments owed on the new medical record and billing system and updating of the chilled water plant. This will be paid from unrestricted cash and investments and approximately \$2.1 million of assets limited as to use – held by trustee.

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

8. LONG-TERM DEBT

The terms and due dates of the Hospital's long-term debt at December 31, 2021 and 2020 are as follows:

- 2013A tax-exempt revenue bonds, principal maturing in varying amounts due May 1, 2038, collateralized by property and equipment with a net book value of approximately \$52,164,000 and \$51,161,000 at December 31, 2021 and 2020. Interest rate is variable at 1.36% as of December 31, 2021. An associated interest rate swap has fixed rate of 2.77% with a liability fair value of approximately \$101,000 and \$219,000 as of December 31, 2021 and 2020, respectively, the effects of which are immaterial to the financial statements as a whole.
- 2013B tax-exempt revenue bonds, principal maturing in varying amounts due May 1, 2024, collateralized by property and equipment with a net book value of approximately \$52,164,000 and \$51,161,000 at December 31, 2021 and 2020. Interest rate is variable at 1.23% as of December 31, 2021. An associated interest rate swap has fixed rate of 2.39% with a liability fair value of approximately \$37,000 and \$102,000 as of December 31, 2021 and 2020, respectively, the effects of which are immaterial to the financial statements as a whole.
- 2019A tax exempt revenue bonds, principal maturing in varying amounts due March 1, 2034, collateralized by property and equipment with a net book value of approximately \$52,164,000 and \$51,161,000 at December 31, 2021 and 2020, in addition to the assets held by Trustee of approximately \$2,100,000. Interest rate is fixed at 3.0%.
- 2016 equipment loan payable, fixed interest rate of 3.4%. The loan was paid off during 2021.
- During 2020, the Hospital entered into an installment contract to purchase real estate for approximately \$410,000, with payments of approximately \$5,000 a month and an imputed interest rate of 4%. In addition, the Hospital entered into a capital lease for approximately \$70,000, the effects of which are immaterial the financial statements. The real estate and capital lease are collateralized by real estate and equipment with an approximate net book value of \$390,000 and \$405,000 at December 31, 2021 and 2020.

The Hospital and the Indiana Financing Authority (the Authority) entered into an agreement with Huntington Public Capital Corporation (Huntington) whereby Huntington purchased from the Authority all the Series 2013A and 2013B tax-exempt revenue bonds (2013 Bonds) in a private placement. The agreement provided that Huntington would hold the Series 2013 Bonds during the Initial Mode Period which runs through May 2023. During the Initial Mode Period, the Series 2013 Bonds would bear interest at the Initial Rate Mode (LIBOR plus 32 basis points plus the applicable spread of 150 basis points for the 2013A Bonds and LIBOR plus 32 basis points plus the applicable spread of 130 basis points for the 2013B Bonds) for 120 months with principal and interest payments determined using a 25-year amortization schedule for the 2013A Series revenue bonds and a 20-year amortization schedule for the 2013B Series revenue bonds.

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

At the end of the Initial Mode Period, the Series 2013 bonds may be converted to another interest rate mode and remarketed to another bondholder or holders or renewed for another term period with Huntington. The Series 2013 Bonds could be converted to another interest rate mode to accommodate market conditions at that time. If the Series 2013 Bonds could not be remarketed at the end of the Initial Mode Period, the Hospital would be subject to payment of the remaining principal of approximately \$6,926,000.

The Hospital and the Authority entered into an agreement with Siemens Public, Inc. (Siemens) whereby Siemens purchased from the Authority all the Series 2019 tax-exempt revenue bonds (2019 Bonds) in a private placement. The agreement provided that Siemens would hold the Series 2019 Bonds during the Initial Mode Period which runs through March 2034.

Under the terms of the revenue bond indenture, the Hospital is required to maintain certain deposits with a trustee. Such deposits are included with restricted cash and investments in the statement of financial position. The revenue bond indenture also places limits on the incurrence of additional borrowings and requires that the Hospital satisfy certain measures of financial performances as long as the bonds are outstanding. The Hospital is also required to meet certain financial covenants. The Hospital did not meet the debt service coverage ratio covenant for the Series 2013 and Series 2019 Bonds from March 31, 2021 through March 31, 2023. However, a waiver was provided by Huntington and Siemens of this covenant violation and other non-financial covenant violations, subject to the terms and conditions as noted in the related agreements. The Hospital believes they are in compliance with all other covenants for which they have not received a waiver as of December 31, 2021 and 2020. However, the debt has been shown as current due to management's plan to pay off the debt in May 2023. See Note 16 for further information.

If the Hospital were to be in default under the Series 2013 or Series 2019 Bonds, the interest rate on the Bonds could be increased by an additional 3%. Huntington and Siemens have not exercised this option as of the report date. However, Huntington and Siemens have been in direct consultation with Hospital over ways to cut costs and increase revenues.

The 2013 and 2019 Series Bonds can be optionally redeemed early by the Hospital. If they are redeemed early, the Hospital must pay a premium from between 100.5% and 102% of the outstanding balance on the 2013 and 2019 Series Bonds, dependent on the amount of time outstanding until maturity.

MEMORIAL HOSPITAL OF LOGANSPOBT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

A summary of long-term debt as of December 31, 2021 and 2020 includes the following:

	Balance at December 31, 2020	Additional borrowings	Payments	Balance at December 31, 2021	Current portion	Long-term portion
2016 Equipment loan - direct borrowing	\$ 160,687	\$ 27,318	\$ 188,005	\$ -0-	-0-	\$ -0-
2013A Bonds - direct placement	6,926,000	-0-	314,000	6,612,000	6,612,000	-0-
2013B Bonds - direct placement	5,137,000	-0-	1,500,000	3,637,000	3,637,000	-0-
2019 Bonds - direct placement	12,301,000	-0-	720,000	11,581,000	11,581,000	-0-
Installment note and capital lease	337,040	10,000	117,040	230,000	60,000	170,000
	<u>\$ 24,861,727</u>	<u>\$ 37,318</u>	<u>\$ 2,839,045</u>	<u>\$ 22,060,000</u>	<u>\$ 21,890,000</u>	<u>\$ 170,000</u>

	Balance at December 31, 2019	Additional borrowings	Payments	Balance at December 31, 2020	Current portion	Long-term portion
2016 Equipment loan - direct borrowing	\$ 528,812	\$ -0-	\$ 368,125	\$ 160,687	\$ 160,687	\$ -0-
2013A Bonds - direct placement	7,232,000	-0-	306,000	6,926,000	314,000	6,612,000
2013B Bonds - direct placement	6,606,000	-0-	1,469,000	5,137,000	1,497,000	3,640,000
2019 Bonds - direct placement	13,000,000	-0-	699,000	12,301,000	720,000	11,581,000
Installment note and capital lease	-0-	480,560	143,520	337,040	87,040	250,000
	<u>\$ 27,366,812</u>	<u>\$ 480,560</u>	<u>\$ 2,985,645</u>	<u>\$ 24,861,727</u>	<u>\$ 2,778,727</u>	<u>\$ 22,083,000</u>

Scheduled principal and interest payments on long-term debt at December 31, 2021 are as follows:

Years Ending December 31,	Bonds - Direct Placements		Other		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 2,609,000	\$ 601,383	\$ 60,000	\$ 11,500	\$ 2,669,000	\$ 612,883
2023	2,572,000	532,103	60,000	8,500	2,632,000	540,603
2024	1,740,000	468,468	60,000	5,500	1,800,000	473,968
2025	1,161,000	430,168	50,000	2,500	1,211,000	432,668
2026	1,197,000	394,485	-0-	-0-	1,197,000	394,485
2027-2031	5,150,000	1,199,399	-0-	-0-	5,150,000	1,199,399
Thereafter	7,401,000	615,920	-0-	-0-	7,401,000	615,920
	<u>\$ 21,830,000</u>	<u>\$ 4,241,926</u>	<u>\$ 230,000</u>	<u>\$ 28,000</u>	<u>\$ 22,060,000</u>	<u>\$ 4,269,926</u>

The future interest payments related to the 2013 bonds are based upon two interest rate swap agreements, the effects of which are immaterial to the financial statements.

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

9. NET PATIENT REVENUE

Net patient revenue consists of the following on December 31:

	2021	2020
Inpatient revenue	\$ 52,970,870	\$ 40,316,944
Outpatient revenue	210,776,541	184,816,051
Long term care	10,945,002	11,298,725
Gross patient revenue	<u>274,692,413</u>	<u>236,431,720</u>
Contractual allowances	(153,888,665)	(129,671,458)
Charity care	(1,993,260)	(1,770,658)
Bad debt expense	(8,450,626)	(10,792,130)
Deductions from revenue	<u>(164,332,551)</u>	<u>(142,234,246)</u>
Net patient revenue	<u>\$ 110,359,862</u>	<u>\$ 94,197,474</u>

10. EMPLOYEE HEALTH PLAN

The Hospital is self-insured for employee health claims. A third-party administrator processes the claims for the Hospital. The plan has annual reinsurance coverage starting at a specific level of \$150,000 per individual with no lifetime maximum reimbursement per covered person. The Hospital maintains an estimated liability for the amount of claims incurred but not reported. The Hospital maintains reinsurance including a stop loss for specific incident claims over a stipulated amount per year. Substantially all employees are covered for major medical benefits.

Claim expenditures and liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

Changes in the balance of claim liabilities during the past two years are as follows:

	2021	2020
Unpaid claims, beginning of year	\$ 1,030,922	\$ 895,016
Incurred claims and costs	9,004,769	6,710,921
Claim payments	(8,616,211)	(6,575,015)
Unpaid claims, end of year	<u>\$ 1,419,480</u>	<u>\$ 1,030,922</u>

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

11. PENSION PLAN

Plan Description

The Hospital has a defined contribution pension plan, the Memorial Hospital of Logansport 403(b) Matching Plan (403(b) Plan), as authorized by Indiana Code 16-22-3-11, which is administered by the Hospital. The contribution requirements of plan members are established by the written agreement between the Hospital Board of Trustees and ING National Trust, ING Financial Advisors, LLC, and ING Life Insurance and Annuity Company, as the plan administrators. If an employee chooses to participate in the 403(b) portion of the plan, the Hospital will match employee contributions up to 2% of gross wages. Hospital contributions to the plan were approximately \$438,000 and \$426,000 for 2021 and 2020, respectively, and reflected as salaries and benefits in the statements of operations and changes in net position.

12. CONCENTRATIONS OF CREDIT RISK

The Hospital is located in Logansport, Indiana. The Hospital grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. Gross accounts receivable and revenues from self-pay and third-party payors were as follows on December 31 and for the year then ended:

	Receivables		Revenues	
	2021	2020	2021	2020
Medicare	40%	37%	37%	41%
Medicaid	13%	19%	30%	21%
Blue Cross/Anthem	13%	14%	15%	18%
Commercial	15%	17%	16%	17%
Self-pay	19%	13%	2%	3%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

13. COMMITMENTS AND CONTINGENCIES

Litigation

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

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Malpractice Insurance

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

Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Hospital's claim experience, there is no related accrual recorded as of December 31, 2021 and 2020. It is reasonably possible that this estimate could change materially in the near term.

The Hospital purchases premium insurance to cover its exposure of \$500,000 per event and \$10,000,000 aggregate liability for Hospital and HPR operations.

Operating Leases

The Hospital leases various equipment and facilities under operating leases expiring at various dates through June 2025. Cancelable and non-cancelable operating lease expense was approximately \$1,429,000 and \$1,423,000 during 2021 and 2020, respectively. The following is a schedule by year of future minimum lease payments under non-cancelable operating leases as of December 31, 2021 that have initial or remaining lease terms in excess of one year.

Year Ending December 31,	
2022	\$ 337,330
2023	300,330
2024	169,004
2025	3,625
	<u>\$ 810,289</u>

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

14. BLENDED COMPONENT UNITS

The Hospital's financial statements include the accounts of its blended component units. Separate financial statements related to these component units may be obtained by contacting Hospital management. Below is condensed financial information related to HPR and the Foundation as of and for the year ended December 31, 2021:

	2021		
	HPR	Foundation	Total
Cash and cash equivalents	\$ 318,279	\$ 156,563	\$ 474,842
Patient accounts receivable, net	157,721	-0-	157,721
Supplies and other current assets	220,626	38,514	259,140
Total current assets	696,626	195,077	891,703
Assets limited as to use	-0-	2,521,141	2,521,141
Capital assets	36,046	714,271	750,317
Total assets	\$ 732,672	\$ 3,430,489	\$ 4,163,161
Accounts payable and accrued expenses	\$ 30,997	\$ -0-	\$ 30,997
Due to Hospital	68,214	-0-	68,214
Total current liabilities	99,211	-0-	99,211
Net position	633,461	3,430,489	4,063,950
Total liabilities and net position	\$ 732,672	\$ 3,430,489	\$ 4,163,161
Total operating revenue	\$ 1,646,570	\$ -0-	\$ 1,646,570
Total non-operating income (loss)	20,971	263,046	284,017
Total revenue	1,667,541	263,046	1,930,587
Salaries and benefits	300,025	-0-	300,025
Other professional fees	9,697	3,250	12,947
Medical supplies and drugs	1,265,271	-0-	1,265,271
Depreciation	13,169	10,705	23,874
Rent and leases	30,400	-0-	30,400
Purchased services and other	121,520	-0-	121,520
Total expenses	1,740,082	13,955	1,754,037
Change in net position	\$ (72,541)	\$ 249,091	\$ 176,550
Cash flows from activities			
Operating	\$ (5,883)	\$ (3,413)	\$ (9,296)
Noncapital financing	20,556	(78,116)	(57,560)
Capital and related financing activities	-0-	120,002	120,002
Investing	415	4,398	4,813
Net change in cash and cash equivalents	\$ 15,088	\$ 42,871	\$ 57,959

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Below is condensed financial information related to HPR and the Foundation as of and for the year ended December 31, 2020:

	2020		
	HPR	Foundation	Total
Cash and cash equivalents	\$ 303,191	\$ 113,692	\$ 416,883
Patient accounts receivable, net	182,455	-0-	182,455
Supplies and other current assets	262,768	158,516	421,284
Total current assets	748,414	272,208	1,020,622
Assets limited as to use	-0-	2,184,377	2,184,377
Capital assets	49,215	724,976	774,191
Total assets	\$ 797,629	\$ 3,181,561	\$ 3,979,190
Accounts payable and accrued expenses	\$ 23,003	\$ 163	\$ 23,166
Due to Hospital	68,624	-0-	68,624
Total current liabilities	91,627	163	91,790
Net position	706,002	3,181,398	3,887,400
Total liabilities and net position	\$ 797,629	\$ 3,181,561	\$ 3,979,190
Total operating revenue	\$ 1,426,040	\$ -0-	\$ 1,426,040
Total non-operating income (loss)	21,766	(100,449)	(78,683)
Total revenue	1,447,806	(100,449)	1,347,357
Salaries and benefits	310,626	-0-	310,626
Other professional fees	10,808	7,406	18,214
Medical supplies and drugs	1,061,477	-0-	1,061,477
Depreciation	13,205	10,735	23,940
Rent and leases	27,867	-0-	27,867
Purchased services and other	111,406	-0-	111,406
Total expenses	1,535,389	18,141	1,553,530
Change in net position	\$ (87,583)	\$ (118,590)	\$ (206,173)
Cash flows from activities			
Operating	\$ (134,145)	\$ (7,243)	\$ (141,388)
Noncapital financing	20,840	(196,554)	(175,714)
Capital and related financing activities	-0-	152,436	152,436
Investing	926	(15,462)	(14,536)
Net change in cash and cash equivalents	\$ (112,379)	\$ (66,823)	\$ (179,202)

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

15. COVID-19

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

During 2021 and 2020, Provider Relief Funds (PRF) authorized under the Coronavirus Aid, Relief, and Economic Security (CARES) Act were distributed to healthcare providers impacted by the outbreak of the COVID-19 pandemic. PRF amounts are recognized to the extent the Hospital meets the terms and conditions. The Hospital received and recognized PRF of approximately \$3,391,000 and \$14,678,000 as COVID-19 grant funds in nonoperating revenues (expenses) in the statements of operations and changes in net position for the years ended December 31, 2021 and 2020. Compliance with the terms and conditions may also be subject to future government review and interpretation. 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.

The CARES Act also allowed health care providers to request accelerated and advanced payments for Medicare services. The Hospital requested and received approximately \$8,383,000 of accelerated and advanced Medicare payments under this CARES Act provision during 2020. As of December 31, 2021 and 2020, amounts owed by the Hospital under this program were approximately \$5,262,000 and \$8,383,000, respectively. These are included in estimated third-party payor settlements on the statements of financial position.

16. MANAGEMENT'S PLAN AND SUBSEQUENT EVENT

As shown in the accompanying financial statements, the Hospital experienced operating losses in 2021 and 2020. The net days cash on hand decreased from 164 to 131 and the Hospital did not meet the debt service coverage debt covenant ratio at December 31, 2021. In April 2023, management determined that the debt with Huntington and Siemens will be redeemed and paid off during May 2023. Management is working with a banking institution to obtain a line a credit to assist with short term cash needs.

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Certain operational improvement initiatives to enhance revenue, streamline operations and reduce costs are being implemented by management. Management is analyzing strategies to improve volumes, and is concurrently pursuing opportunities to enhance liquidity. As part of these initiatives, management is strategically analyzing operations to curtail and contain costs. As part of the revenue enhancements, management is reviewing various reimbursement/payment options and working to improve revenue cycle operations. Management has instituted a detail cash flow budgeting process to monitor the results of the ongoing changes. Management expects the combination of cost reductions, operational changes, revenue and liquidity enhancements to stabilize cash flow and the bottom line.



Blue & Co., LLC / 500 N. Meridian Street, Suite 200 / Indianapolis, IN 46204
main 317.633.4705 fax 317.633.4889 email blue@blueandco.com

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

Board of Trustees
Memorial Hospital of Logansport
Logansport, Indiana

Report on the Financial Statements

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Memorial Hospital of Logansport (the Hospital), which comprise the statement of financial position as of December 31, 2021, and the related statements of operations 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 April 27, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting (internal control) as the 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.

Board of Trustees
Memorial Hospital of Logansport
Logansport, Indiana

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Blue & Co., LLC

Indianapolis, Indiana
April 27, 2023



Blue & Co., LLC / 500 N. Meridian Street, Suite 200 / Indianapolis, IN 46204
main 317.633.4705 fax 317.633.4889 email blue@blueandco.com

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
Memorial Hospital of Logansport
Logansport, Indiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Memorial Hospital of Logansport's (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, 2021. 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, 2021.

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.

Board of Trustees
Memorial Hospital of Logansport, Inc.
Logansport, Indiana

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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the *Uniform Guidance* and which is described in the accompanying schedule of findings and questioned costs as item 2021-001. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the Hospital's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Hospital's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been 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.

Board of Trustees
Memorial Hospital of Logansport, Inc.
Logansport, Indiana

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, 2021 and have issued our report thereon dated April 27, 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

April 27, 2023

MEMORIAL HOSPITAL OF LOGANSPOUR, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2021

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Grant ID #</u>	<u>Assistance Listing Number</u>	<u>Federal Expenditures</u>
Major program			
U.S. Department of Health and Human Services (DHHS) COVID-19 - Provider Relief Fund	N/A	93.498	\$ 14,678,345
Non-major programs			
U.S. Department of Health and Human Services (DHHS) COVID-19 - Testing and Mitigation for Rural Health Clinics	N/A	93.697	200,000
U.S. Department of Health and Human Services (DHHS)/ Indiana Hospital Association COVID-19 - Small Rural Hospital Improvement Program	N/A	93.301	<u>80,101</u>
Total non-major programs			<u>280,101</u>
Total federal expenditures			<u>\$ 14,958,446</u>

See report on Schedule of Expenditures of Federal Awards as Required by the Uniform Guidance on page 37. See accompanying Notes to Schedule of Expenditures of Federal Awards on page 42.

MEMORIAL HOSPITAL OF LOGANSPOUR, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2021

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Memorial Hospital of Logansport (the Hospital) under programs of the federal government for the year ended December 31, 2021 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 2021, the Hospital did not pass-through funds to sub-recipients.

4. PROVIDER RELIEF FUNDS

Under the terms and conditions of the Provider Relief Funds (PRF) and the Coronavirus Aid, Relief, and Economic Security (CARES) Act, 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 PRF amounts received prior to December 31, 2020, and expended through December 31, 2021, to be reported on the 2021 Schedule rather than the 2020 Schedule. As such, the Hospital received approximately \$14,678,000 in PRF prior to December 31, 2020. During 2021 and 2020, the Hospital recognized \$14,678,000 and \$3,111,000 as revenue in its 2021 and 2020 statements of operations and changes in net position, respectively, as the terms and conditions of the PRF grant were satisfied. PRF grants of \$3,111,000 also recognized as revenue in 2021 will be reported on the 2022 Schedule as required by HHS.

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

During 2021, the Hospital did not receive donated personal protective equipment from federal sources.

MEMORIAL HOSPITAL OF LOGANSPOUR, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2021

Section I - Summary of Audit Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	_____ yes	<u>√</u> none reported
Significant deficiency(s) identified that are not considered material weakness(es) noted?	_____ yes	<u>√</u> none reported
Noncompliance material to financial statements noted?	_____ yes	<u>√</u> no

Federal Awards

Internal controls over major programs:		
Material weakness(es) identified?	_____ yes	<u>√</u> none reported
Significant deficiency(s) identified that are not considered material weakness(es) noted?	_____ yes	<u>√</u> none reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	<u>√</u> yes	_____ no
Identification of major program(s):		<u>Assistance Listing Number</u>
COVID-19 - Provider Relief Fund and American Rescue Plan (ARP) Distribution		#93.498
Threshold used to distinguish between Type A and B programs:	\$750,000	
Auditee qualified as low-risk auditee?	_____ yes	<u>√</u> no

Section II – Findings Related to Financial Statements
Reported in Accordance with Government Auditing Standards

No matters reported.

Section III – Findings and Questioned Costs Related to Federal Awards

2021-001 – Submission of single audit package to Federal Audit Clearinghouse.

Criteria – The single audit reporting package is due to the Federal Audit Clearinghouse within nine months after year end.

Condition – The audit was not submitted within the specified timeframe.

Questioned costs – \$-0-

Context – Single audit requirements direct the grant recipient to comply with the filing requisites.

MEMORIAL HOSPITAL OF LOGANSPOUR, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 2021

Effect – The single audit reporting package was not submitted to the Federal Audit Clearinghouse within the timeframe which resulted in an instance of noncompliance.

Cause – The Hospital was negotiating terms with their lenders over failed debt covenants during 2021, which led to delays in getting the audit completed timely.

Recommendation – We recommend the Hospital timely file the reports with the Federal Audit Clearinghouse going forward.

Views of Responsible Officials and Planned Corrective Action – Management understands the due date for single audit reporting package submission to the Federal Audit Clearinghouse and will file the single audit reporting package as soon as possible.

Section IV – Summary Schedule of Prior Audit Findings

No matters reported.