



CONSOLIDATED FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2019 AND 2018

CPAs / ADVISORS



CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

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REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying consolidated financial statements of Cameron Memorial Community Hospital, Inc. (the Hospital), which comprise the consolidated balance sheets as of September 30, 2019 and 2018, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources*, issued by the Indiana State Board of Accounts. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Hospital's preparation and fair presentation of the consolidated financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Hospital as of September 30, 2019 and 2018, and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, effective October 1, 2018, the Hospital adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information listed in the accompanying table of contents is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations and changes in net assets of the individual entities, and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2019 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.

Blue & Co., LLC

Indianapolis, Indiana
December 19, 2019

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2019 AND 2018

	2019	2018
Current assets		
Cash	\$ 3,066,643	\$ 3,784,433
Patient accounts receivable, less allowances for uncollectible accounts of \$4,196,000 in 2019 and \$5,824,000 in 2018	9,534,133	9,809,507
Other receivables	224,202	342,308
Inventory	1,746,838	1,745,445
Prepaid expenses	810,199	911,631
Total current assets	<u>15,382,015</u>	<u>16,593,324</u>
Assets whose use is limited		
Donor restricted	461,371	444,584
Held by trustee	-0-	66,635
Total assets whose use is limited	<u>461,371</u>	<u>511,219</u>
Investments	20,231,337	20,176,608
Property and equipment, net	47,032,614	50,959,229
Goodwill	885,713	885,713
Total assets	<u>\$ 83,993,050</u>	<u>\$ 89,126,093</u>

See accompanying notes to consolidated financial statements.

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2019 AND 2018

LIABILITIES AND NET ASSETS

	2019	2018
Current liabilities		
Accounts payable	\$ 1,949,525	\$ 1,756,909
Accrued wages and related liabilities	2,335,033	2,322,594
Accrued expenses and other liabilities	517,827	698,863
Estimated third-party settlements	156,239	471,182
Current portion of long-term debt	843,268	1,059,520
Total current liabilities	5,801,892	6,309,068
Long-term debt, less current portion	42,319,420	43,134,945
Total liabilities	48,121,312	49,444,013
Net assets		
Without donor restrictions	35,410,367	39,237,496
With donor restrictions	461,371	444,584
Total net assets	35,871,738	39,682,080
Total liabilities and net assets	<u>\$ 83,993,050</u>	<u>\$ 89,126,093</u>

See accompanying notes to consolidated financial statements.

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	2019	2018
Revenue, gains and other support		
Net patient service revenue	\$ 71,032,144	\$ 69,654,261
Less provision for bad debts	4,969,229	6,784,213
Net patient service revenue		
less provision for bad debts	66,062,915	62,870,048
Other revenue	1,831,792	2,175,935
Total revenue, gains and other support	67,894,707	65,045,983
Expenses		
Salaries and wages	25,811,446	24,070,677
Employee benefits	7,561,299	7,650,030
Purchased services and professional fees	11,701,375	11,584,843
Supplies	7,297,146	6,838,346
Repair and maintenance	2,582,171	2,185,021
Utilities	800,052	825,757
Building and equipment rent	2,150,349	2,033,911
Insurance	511,295	527,189
Interest	1,573,276	1,633,341
Depreciation	6,239,008	6,315,636
Other	5,759,802	3,855,293
Total expenses	71,987,219	67,520,044
Operating loss	(4,092,512)	(2,474,061)
Nonoperating income (loss)		
Contributions	133,544	-0-
Net assets released from donor restrictions	11,108	2,380,576
Investment return, net	122,686	784,129
Loss on disposal of property and equipment	(1,955)	(47,499)
Total nonoperating income (loss)	265,383	3,117,206
Revenues over (under) expenses	(3,827,129)	643,145
Other changes in net assets		
Net assets released from donor restrictions for property	-0-	45,460
Change in net assets without donor restrictions	(3,827,129)	688,605
Net assets with donor restrictions		
Contributions	27,895	40,914
Change in net assets of Foundation	-0-	124,106
Net assets released from donor restrictions	(11,108)	(2,426,036)
Change in net assets with donor restrictions	16,787	(2,261,016)
Change in net assets	(3,810,342)	(1,572,411)
Net assets		
Beginning of year	39,682,080	41,254,491
End of year	\$ 35,871,738	\$ 39,682,080

See accompanying notes to consolidated financial statements.

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	2019	2018
Operating activities		
Change in net assets	\$ (3,810,342)	\$ (1,572,411)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	6,239,008	6,315,636
Amortization of deferred financing costs	27,743	27,742
Amortization of intangible assets	-0-	27,436
Provision for bad debts	4,969,229	6,784,213
Loss on disposal of property and equipment	1,955	47,499
Realized and unrealized (gain) loss on investments	327,372	(432,743)
Restricted contributions, gifts and bequests	(27,895)	(40,914)
Change in net assets of Foundation	-0-	(124,106)
Changes in operating assets and liabilities:		
Patient accounts receivable	(4,693,855)	(5,798,982)
Other receivables and receivable from Foundation	118,106	(130,182)
Inventory and prepaid expenses	100,039	151,325
Notes receivable	-0-	515,807
Accounts payable, accrued wages and related liabilities	(207,721)	(969,871)
Accrued expenses and other liabilities	(181,036)	(163,944)
Estimated third-party settlements	(314,943)	1,504,167
Net cash flows from operating activities	<u>2,547,660</u>	<u>6,140,672</u>
Investing activities		
Proceeds from sale of investments and assets whose use is limited	1,897,838	5,344,644
Purchase of investments and assets whose use is limited	(2,230,091)	(4,687,005)
Purchase of property and equipment	(1,901,572)	(1,108,723)
Proceeds from disposal of property and equipment	-0-	12,300
Net cash flows from investing activities	<u>(2,233,825)</u>	<u>(438,784)</u>
Financing activities		
Restricted contributions, gifts and bequests	27,895	40,914
Payments on line of credit	-0-	(1,133,788)
Payments on long-term debt	(1,059,520)	(1,022,281)
Net cash from financing activities	<u>(1,031,625)</u>	<u>(2,115,155)</u>
Net change in cash	(717,790)	3,586,733
Cash		
Beginning of year	<u>3,784,433</u>	<u>197,700</u>
End of year	<u>\$ 3,066,643</u>	<u>\$ 3,784,433</u>
Supplemental disclosure of cash flows information		
Cash paid for interest	\$ 1,545,533	\$ 1,605,599
Property and equipment in accounts payable	\$ 412,776	\$ 9,907

See accompanying notes to consolidated financial statements.

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018

1. SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Cameron Memorial Community Hospital, Inc. (the Hospital), a not-for-profit organization, is a general acute care facility in Angola, Indiana with 25 licensed beds and associated ancillary service departments including outpatient services, home health care and an urgent care center. The Hospital provides health care services primarily in the northeast portion of Indiana. Expenses relate to the provision of medical care and related general and administrative costs.

Cameron Medical Outreach, Inc. (CMO), a not-for-profit organization, is a community outreach organization providing health care needs of indigent individuals, medically underserved areas and the community as a whole. CMO earns revenue from rental and leasing arrangements and healthcare services. The Hospital is the sole member of CMO, which began operations on October 1, 2007. CMO operates an assisted living facility as well as a General Surgery and Family Practice office in Angola, Indiana.

Cameron Hospital Foundation, Inc. (the Foundation) was a separate entity that was formed in November 1987 for the purpose of obtaining funds through charitable giving, administering those funds and allocate funds to the Hospital for the delivery of health care services and related activities. Due to the purpose for which the Foundation was formed, the Hospital and the Foundation were considered to be financially interrelated organizations even though they operated independently of each other and had separate Boards of Directors. Because the Hospital and the Foundation were financially interrelated, the Hospital recognized its interest in the net assets of the Foundation in its consolidated financial statements. In September 2018, the Foundation was dissolved as a legal entity and all assets and liabilities were transferred to the Hospital. The Hospital continues to operate the Foundation as a department of the Hospital; however, the Foundation is no longer a legally separate entity.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Hospital and CMO. Intercompany transactions and balances have been eliminated in the consolidation.

Use of Estimates

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

Cash

The Hospital maintains its cash in accounts, which at times may exceed federally insured limits. The Hospital has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk on cash.

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018

Patient Accounts Receivable and Net Patient Service Revenue

Patient service revenue and the related accounts receivable are recorded at the time services to patients are performed. The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. These estimated retroactive adjustments under reimbursement agreements are included with estimated third-party payor settlements. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Allowance for Uncollectible Accounts

Patient accounts receivable are reduced by an allowance for uncollectible accounts based on the Hospital's evaluation of its major payor sources of revenue, the aging of the accounts, historical losses, current economic conditions, and other factors unique to its service area and the healthcare industry. Management regularly reviews data about the major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for bad debts, if necessary. For receivables associated with self-pay payments, which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill, the Hospital records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

During 2019, the Hospital's allowance for uncollectible accounts for patient services decreased approximately \$1,628,000 from \$5,824,000 to \$4,196,000. Of the 2019 decrease, \$730,000 related to self-pay balances and \$898,000 related to third-party payor accounts. The changes are primarily related to a decrease in self-pay accounts receivable during the year.

During 2018, the Hospital's allowance for uncollectible accounts for patient services increased approximately \$462,000 from \$5,362,000 to \$5,824,000. Of the 2018 increase, \$376,000 related to self-pay balances and \$86,000 related to third-party payor accounts. The changes are primarily related to an increase in self-pay accounts receivable during the year.

In addition, the Hospital's write-offs related primarily to self-pay increased by approximately \$276,000 to \$6,598,000 in 2019 from \$6,322,000 in 2018. The change was the result of trends experienced in the collection of amounts from self-pay and self-pay after third-party insurance patients during 2019. The Hospital's charity care policy dictates the income threshold of patients who are eligible for a discount at 350% of the federal poverty limit.

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018

As of September 30, 2019, the allowance for uncollectible accounts of approximately \$4,196,000 was comprised of \$3,721,000 reserved for self-pay balances and \$475,000 reserved for third-party payor balances. As of September 30, 2018, the allowance for uncollectible accounts of \$5,824,000 was comprised of \$4,451,000 reserved for self-pay balances and \$1,373,000 reserved for third-party payor balances.

Estimated Third-Party Settlements

Estimated third-party settlements for the Medicare and Medicaid programs reflect the differences between interim reimbursement and reimbursement as determined by reports filed after the end of each year, and any differences owed to or by the Hospital after such reports have been audited. As of September 30, 2019, Medicare and Medicaid reports have been audited and final settled with the fiscal intermediary through September 30, 2017.

Changes to any previous year's estimated settlement are reflected in the period the intermediary finalizes its audit of cost reports, or when additional information becomes available. During 2019 and 2018, the Hospital recognized an increase in net patient service revenue of approximately \$22,000 and \$75,000, respectively, due to the differences between original estimates and subsequent revisions for the final settlement of cost reports.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. As a result, there is at least a reasonable possibility that recorded estimates will change in the near term.

Inventory

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

Assets Limited as to Use

Assets limited as to use include: (1) assets restricted by donors, and (2) assets held by trustees under debt agreements. Amounts required to meet current liabilities of the Hospital are included in current assets.

Investments and Investment Return, Net

Investments in equity securities, having a readily determinable fair value, and all debt securities are carried at fair value. The Hospital has classified all of its investments in debt and equity securities as trading securities. Investment return includes interest, dividends, realized and unrealized gains and losses on investments and investment fees. Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the consolidated statements of operations and changes in net assets as without or with donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018

Property, Equipment and Depreciation

Property and equipment other than that received by donation, are reported at cost and depreciated on a straight-line basis over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. The estimated useful lives are as follows:

	<u>Estimated Useful Lives</u>
Buildings and building improvements	5-50 years
Fixed equipment	3-20 years

Donations of property and equipment are reported at fair value as an increase in net assets without donor restriction unless use of the assets is restricted by the donor. Monetary gifts that must be used to acquire property and equipment are reported as restricted support. The expiration of such restrictions is reported as an increase in net assets without donor restrictions when the donated asset is placed in service.

The Hospital capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing. No interest was capitalized during 2019 or 2018.

Deferred Financing Costs

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

Notes Receivable

During 2018, the Hospital extended credit in the form of notes receivable for patient service accounts where the patient established a long-term payment plan with the Hospital through a third-party collection agency. Notes receivable were for a period of up to five years, were interest free, unsecured and required monthly payments. The credit quality indicator was performance determined by delinquency status. Delinquency status was updated monthly. All notes receivable were considered performing.

Notes receivable were carried at their estimated collectible amounts and were periodically evaluated based on historical collections and current financial conditions. An estimated allowance for uncollectible amounts was established based on prior collection experience and current economic factors, which, in management's judgment, could influence the ability of note recipients to repay the amounts due in accordance with the terms of the note agreements.

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018

The Hospital determined the estimated allowance for uncollectible amounts on notes receivable first by performing an evaluation of the individual notes and second by analyzing the overall performance of the aggregate notes receivable portfolio balance outstanding. After two missed payments, the notes receivable were charged against the allowance and remitted to a third-party collection agency. The evaluation of the collectability of notes receivable involved the use of significant estimates and assumptions. It is at least reasonably possible that management's estimate of uncollectible notes receivable will change in the near term.

During 2018, the Hospital sold its performing notes receivable.

Business Combinations and Goodwill

The Hospital accounts for business combinations using the acquisition method of accounting, and accordingly, the net assets of the acquired entity are recorded at their estimated fair values at the date of acquisition. Goodwill represents the excess of the purchase price over the fair value of net assets, including amounts assigned to identifiable intangible assets, if any. Goodwill is tested for impairment on an annual basis, or whenever an event occurs or circumstances indicate the carrying value of the goodwill may be impaired. The Hospital performed the required annual impairment test for goodwill as of September 30, 2019 and 2018 using the income approach of calculating the present value of the future cash flows. The Hospital determined no impairment of goodwill existed as of September 30, 2019 and 2018. Intangible assets related primarily to medical records and were fully amortized as of September 30, 2019 and 2018.

Net Assets with Donor Restrictions

Net assets with donor restrictions, the use of which is restricted by donors or grantors, are used to differentiate from net assets without donor restrictions on which donors or grantors place no restrictions or that arise as a result of the operations of the Hospital for its stated purposes. Restricted gifts and other restricted resources are recorded as additions to net assets with donor restrictions at fair market value at the date of donation. Resources restricted by donors for property and equipment replacement or expansion are added to net assets without donor restriction to the extent expended within the period.

Charity Care

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

The Hospital's patient assistance policy reflects the current economic conditions and other factors unique to the Hospital's customer base. Patient assistance provided during 2019 and 2018, measured at established rates, was approximately \$779,000 and \$758,000, respectively. In addition, other programs and services for the benefit of the community are provided. The costs of these programs are included in operating expenses. The Hospital receives reimbursements from certain governmental payors to assist in the funding of patient assistance.

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018

Of the Hospital's total expenses reported, an estimated \$378,000 and \$356,000 arose from providing services to charity patients during 2019 and 2018, respectively. The estimated costs of providing patient assistance services are based on a calculation, which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on the Hospital's total expenses to gross patient service revenue.

Contributions

Unconditional promises to give cash and other assets are accrued at estimated fair values at the date each promise is received. The gifts are reported as donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, with donor restricted net assets are reclassified as net assets without donor restriction and reported as an increase in net assets without donor restriction. Donor-restricted contributions whose restrictions are met within the same year as received are reported as without donor restricted contributions. Receipts of contributions, which are conditional, are reported as liabilities until the condition is eliminated or the contributed assets are returned to the donor.

Income Taxes

The Hospital and CMO are not-for-profit corporations and have been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code. As such, the Hospital and CMO are generally exempt from income taxes. However, the Hospital and CMO are required to file Federal Form 990 – Return of Organizations Exempt from Income Tax, which is an informational return only.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Hospital and CMO and recognize a tax liability if the Hospital or CMO have taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the Hospital and CMO, and has concluded that as of September 30, 2019 and 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying consolidated financial statements. The Hospital and CMO are subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

The Hospital and CMO have filed their federal and state income tax returns for periods through September 30, 2018. 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).

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018

Performance Indicator

The consolidated statements of operations and changes in net assets include a performance indicator, revenues over (under) expenses. Transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are reported as revenue, gains, support, and expenses. Transactions incidental to the provision of patient care services are reported as nonoperating income and expense. Changes in net assets without donor restriction, which are excluded from the performance indicator consistent with industry practice, include unrealized gains and losses on investments in other-than-trading securities and contributions of long-lived assets (including assets acquired using contributions, which, by donor restriction, were to be used for the purposes of acquiring such assets).

Reclassifications

Certain amounts in the 2018 consolidated financial statements have been reclassified to conform to the 2019 presentation. These reclassifications had no impact on net assets and changes in net assets for 2018, as previously reported.

Going Concern Evaluation

Management evaluates whether there are conditions or events that raise substantial doubt about the Hospital's ability to continue as a going concern for a period of one year from the date the consolidated financial statements are available to be issued.

Subsequent Events

The Hospital evaluated events or transactions occurring subsequent to the consolidated balance sheet date for recognition and disclosure in the accompanying consolidated financial statements through the date the consolidated financial statements were available to be issued which was December 19, 2019.

Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board (the FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of this new guidance is that "an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services". In August 2015, the FASB further amended this guidance and issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606)*, which deferred the effective date for all entities by one year. These new standards, which the Hospital is not required to adopt until its year ending September 30, 2020, deal with the timing of reporting revenues from contracts with customers, and disclosures related thereto.

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This new standard, which the Hospital is not required to adopt until its year ending September 30, 2022, is intended to improve financial reporting about leasing transactions by requiring entities that lease assets to recognize on their balance sheet the assets and liabilities for the rights and obligations created by those leases, and to provide additional disclosures regarding the leases. Leases with terms (as defined in the ASU) of twelve months or less are not required to be reflected on an entity's balance sheet.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash (Topic 230) – Restricted Cash*. This new standard intends to eliminate diversity in practice by requiring the statement of cash flows to present the change in the total cash and cash equivalents, which will include restricted cash and cash equivalents. The Hospital will be required to adopt this new standard in the year ending September 30, 2020.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. The amendments clarify how an entity determines whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. Additionally, the amendments in this ASU require that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. Finally, ASU 2018-08 amends the "simultaneous release accounting policy" to allow a not-for-profit entity to recognize a restricted contribution directly in net assets without donor restrictions if the restriction is met in the same period that revenue is recognized. The Hospital will be required to adopt this new standard in the year ending September 30, 2020.

In May 2019, the FASB issued ASU 2019-06, *Intangibles—Goodwill and Other (Topic 350), Business Combinations (Topic 805), and Not-for-Profit Entities (Topic 958), Extending the Private Company Accounting Alternatives on Goodwill and Certain Identifiable Intangible Assets to Not-for-Profit Entities*. The accounting alternatives in this ASU, if elected, will reduce for preparers the cost and complexity associated with the subsequent accounting for goodwill and the accounting for certain items that currently are considered to be identifiable intangible assets for not-for-profit entities. A not-for-profit entity that elects the accounting alternative should amortize goodwill on a straight-line basis over a period not to exceed ten years, test for impairment upon a triggering event, and have the option to elect to test for impairment at the entity level. This ASU also provides not-for-profit entities with an alternative to subsume into goodwill and amortize customer-related intangible assets that are not capable of being sold or licensed independently from the other assets of a business and all noncompetition agreements acquired. This ASU is effective upon issuance and not-for-profit entities electing to adopt these alternatives do not have to demonstrate preferability.

The Hospital is presently evaluating the effects that these ASUs will have on its future consolidated financial statements, including related disclosures.

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

2. CHANGE IN ACCOUNTING PRINCIPLE

Effective October 1, 2018, the Hospital adopted the FASB's ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU simplifies and improves how a not-for-profit organization classifies its net assets, as well as information it presents in the consolidated financial statements and notes about its liquidity, financial performance and cash flows. The Hospital has adjusted the presentation of its 2019 consolidated financial statements herein and retrospectively restated the prior year consolidated financial statements. In addition to changes in terminology used to describe categories of net assets throughout the consolidated financial statements, new disclosures were added regarding liquidity and the availability of resources (Note 19), and disclosures related to the functional allocation of expenses were expanded (Note 15). There was no significant impact to the consolidated statement of cash flows as a result of adopting this ASU.

The impact of the adoption of ASU No. 2016-14 on the Hospital's net assets are as follows:

	Previously Reported 9/30/2018	Adjustments	Currently Reported 9/30/2018
	<u>9/30/2018</u>	<u>Adjustments</u>	<u>9/30/2018</u>
Consolidated balance sheet			
Net assets			
Unrestricted	\$ 39,237,496	\$ (39,237,496)	\$ -0-
Temporarily restricted	444,584	(444,584)	-0-
Without donor restrictions	-0-	39,237,496	39,237,496
With donor restrictions	-0-	444,584	444,584
Total net assets	<u>\$ 39,682,080</u>	<u>\$ -0-</u>	<u>\$ 39,682,080</u>
Consolidated statements of operations and changes in net assets			
Change in net assets			
Unrestricted	\$ 688,605	\$ (688,605)	\$ -0-
Temporarily restricted	(2,261,016)	2,261,016	-0-
Without donor restrictions	-0-	688,605	688,605
With donor restrictions	-0-	(2,261,016)	(2,261,016)
Total change in net assets	<u>\$ (1,572,411)</u>	<u>\$ -0-</u>	<u>\$ (1,572,411)</u>

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018

3. ASSETS WHOSE USE IS LIMITED AND INVESTMENTS

Assets whose use is limited at September 30 include:

	2019	2018
Donor restricted		
Cash	\$ 204,137	\$ 185,121
Money market mutual funds	5,746	17,877
Corporate bonds	97,191	86,360
Mutual funds	138,667	135,346
Other assets	15,630	19,880
	<u>461,371</u>	<u>444,584</u>
Held by trustee		
Cash	-0-	66,635
Total assets whose use is limited	<u>\$ 461,371</u>	<u>\$ 511,219</u>

Investments at September 30 include:

	2019	2018
Cash	\$ 19,392	\$ 21,177
Money market mutual funds	474,862	218,004
Corporate bonds	652,013	666,373
Common stocks	962,875	934,714
Mutual funds	18,097,814	18,313,791
Government obligations	24,381	22,549
	<u>\$ 20,231,337</u>	<u>\$ 20,176,608</u>

Total investment return, net of investment fees included in net assets without and with donor restriction is comprised of the following:

	2019	2018
Interest and dividend income, net	\$ 450,058	\$ 351,386
Realized gain (loss) on investments	(351,039)	129,723
Unrealized gain on investments	23,667	303,020
Total investment return, net	<u>\$ 122,686</u>	<u>\$ 784,129</u>

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018

4. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Hospital has the ability to access.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of September 30, 2019 and 2018:

- *Money market mutual funds*: Valued based at the subscription and redemption activity at a \$1 stable net asset value (NAV). However, on a daily basis the funds are valued at their daily NAV calculated using the amortized cost of securities.
- *Corporate bonds and government obligations*: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes based value on yields currently available on comparable securities of issuers with similar credit ratings.
- *Mutual funds*: Valued at the daily closing price as reported by the fund. Mutual funds held by the Hospital are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Hospital are deemed to be actively traded.
- *Common stocks*: Valued at the closing price reported on the active market on which the individual securities are traded.

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018

The following tables set forth by level, within the hierarchy, the Hospital's assets measured at fair value on a recurring basis as of September 30, 2019 and 2018:

	September 30, 2019			
	Total	Level 1	Level 2	Level 3
Assets				
Assets whose use is limited				
Money market mutual funds	\$ 5,746	\$ -0-	\$ 5,746	\$ -0-
Corporate bonds	97,191	-0-	97,191	-0-
Mutual funds	138,667	138,667	-0-	-0-
	<u>241,604</u>	<u>\$ 138,667</u>	<u>\$ 102,937</u>	<u>\$ -0-</u>
Cash and other assets	219,767			
	<u>\$ 461,371</u>			
Investments				
Money market mutual funds	\$ 474,862	\$ -0-	\$ 474,862	\$ -0-
Corporate bonds				
Financial	368,811	-0-	368,811	-0-
Services	108,332	-0-	108,332	-0-
Other	174,870	-0-	174,870	-0-
Total corporate bonds	<u>652,013</u>	<u>-0-</u>	<u>652,013</u>	<u>-0-</u>
Common stocks				
Financial	136,227	136,227	-0-	-0-
Technology	193,114	193,114	-0-	-0-
Healthcare	222,098	222,098	-0-	-0-
Industrial goods	177,880	177,880	-0-	-0-
Other	233,556	233,556	-0-	-0-
Total common stocks	<u>962,875</u>	<u>962,875</u>	<u>-0-</u>	<u>-0-</u>
Mutual funds				
Corporate fixed income	1,282,620	1,282,620	-0-	-0-
Diversified emerging markets	914,754	914,754	-0-	-0-
Foreign	2,969,531	2,969,531	-0-	-0-
Intermediate-term fixed income	2,092,145	2,092,145	-0-	-0-
Large growth	1,722,632	1,722,632	-0-	-0-
Large value	2,703,118	2,703,118	-0-	-0-
Mid-cap value	581,330	581,330	-0-	-0-
Small value	1,372,081	1,372,081	-0-	-0-
Non-traditional fixed income	2,787,571	2,787,571	-0-	-0-
Other	1,672,032	1,672,032	-0-	-0-
Total mutual funds	<u>18,097,814</u>	<u>18,097,814</u>	<u>-0-</u>	<u>-0-</u>
Government obligations	24,381	-0-	24,381	-0-
	<u>20,211,945</u>	<u>\$ 19,060,689</u>	<u>\$ 1,151,256</u>	<u>\$ -0-</u>
Cash	19,392			
	<u>\$ 20,231,337</u>			

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

	September 30, 2018			
	Total	Level 1	Level 2	Level 3
Assets				
Assets whose use is limited				
Money market mutual funds	\$ 17,877	\$ -0-	\$ 17,877	\$ -0-
Corporate bonds	86,360	-0-	86,360	-0-
Mutual funds	135,346	135,346	-0-	-0-
	239,583	\$ 135,346	\$ 104,237	\$ -0-
Cash and other assets	271,636			
	<u>\$ 511,219</u>			
Investments				
Money market mutual funds	\$ 218,004	\$ -0-	\$ 218,004	\$ -0-
Corporate bonds				
Financial	353,455	-0-	353,455	-0-
Services	150,305	-0-	150,305	-0-
Other	162,613	-0-	162,613	-0-
Total corporate bonds	666,373	-0-	666,373	-0-
Common stocks				
Financial	133,884	133,884	-0-	-0-
Technology	179,409	179,409	-0-	-0-
Healthcare	221,066	221,066	-0-	-0-
Industrial goods	182,321	182,321	-0-	-0-
Other	218,034	218,034	-0-	-0-
Total common stocks	934,714	934,714	-0-	-0-
Mutual funds				
Corporate fixed income	1,303,432	1,303,432	-0-	-0-
Diversified emerging markets	956,334	956,334	-0-	-0-
Foreign	3,018,152	3,018,152	-0-	-0-
Intermediate-term fixed income	2,012,352	2,012,352	-0-	-0-
Large growth	1,763,342	1,763,342	-0-	-0-
Large value	2,488,926	2,488,926	-0-	-0-
Mid-cap value	638,957	638,957	-0-	-0-
Small value	1,192,257	1,192,257	-0-	-0-
Non-traditional fixed income	2,698,215	2,698,215	-0-	-0-
Other	2,241,824	2,241,824	-0-	-0-
Total mutual funds	18,313,791	18,313,791	-0-	-0-
Government obligations	22,549	-0-	22,549	-0-
	20,155,431	\$ 19,248,505	\$ 906,926	\$ -0-
Cash	21,177			
	<u>\$ 20,176,608</u>			

The Hospital's policy is to recognize transfers between levels as of the end of the reporting period. There were no transfers during 2019 and 2018.

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018

Realized gains and losses are reported in the consolidated statements of operations and changes in net assets as a component of investment return. Realized losses of approximately \$351,000 were recorded in 2019 compared to realized gains of \$130,000 in 2018. Differences between market value and cost of investments are classified as unrealized gains or losses. Unrealized gains or losses are included in earnings for the period attributable to the change in unrealized gains/losses relating to assets held as of September 30, 2019 and 2018 and are reported in the consolidated statements of operations and changes in net assets in investment return. Unrealized gains were \$24,000 and \$303,000 for 2019 and 2018, respectively.

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 consolidated financial statements.

5. PROPERTY AND EQUIPMENT

Property and equipment at September 30 consist of:

	2019	2018
Land	\$ 1,419,368	\$ 1,462,868
Buildings and improvements	63,276,389	62,073,285
Fixed equipment	20,168,484	19,750,133
	84,864,241	83,286,286
Less accumulated depreciation	38,538,028	32,851,437
	46,326,213	50,434,849
Construction in progress	706,401	524,380
	<u>\$ 47,032,614</u>	<u>\$ 50,959,229</u>

Construction in progress as of September 30, 2019 primarily relates to the Hospital's human capital management system and building costs related to a new retail pharmacy. The estimated cost to complete these projects as of September 30, 2019 is not significant to the consolidated financial statements.

6. LINE OF CREDIT AND LONG-TERM DEBT

The Hospital has a \$3,000,000 revolving bank line of credit expiring in April 2020. As of September 30, 2019 and 2018, there was no outstanding balance. The line of credit is unsecured. Variable interest is payable monthly and was 6.0% as of September 30, 2019 based on Wall Street Journal Prime rate plus 0.5% with a floor of 5.0%.

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018

The Hospital has the following long-term debt obligations outstanding as of September 30, 2019 and 2018:

- United States Department of Agriculture (USDA) Direct Loan dated January 2016. The USDA Direct Loan has a term of 40 years at a fixed rate of 3.125% maturing in January 2056.
- Farmers & Merchants State Bank (Farmers & Merchants) loan dated December 2014 with a fixed interest rate of 4.95% maturing in December 2039.
- Farmers & Merchants loan dated December 2014 with a variable interest rate of 5.25% as of September 30, 2019 that matures in December 2039. The variable interest rate is set at prime plus .5% changed quarterly with a floor of 3.25% and ceiling of 5.50%.
- Capital lease obligations with interest rates ranging from 3.28% to 4.83% expiring through 2020.

The Hospital's long-term debt as of September 30 consists of the following:

	2019	2018
USDA Direct Loan, dated January 2016, fixed interest of 3.125%, payable in monthly principal and interest installments of approximately \$135,000 until January 2056.	\$ 35,199,900	\$ 35,711,526
Fixed bank loan guaranteed by the USDA, dated December 2014 due December 2039, with monthly principal and interest payments of approximately \$53,000, fixed interest of 4.95%.	8,022,759	8,246,013
Variable bank loan not guaranteed by the USDA, dated December 2014 due December 2039, with monthly principal and interest payments of approximately \$5,200, variable interest of 5.25% as of September 30, 2019.	862,154	892,962
Capital lease obligations, imputed interest rates ranging from 3.28% to 4.83%, expiring through 2020, collateralized by equipment.	49,915	343,747
	44,134,728	45,194,248
Less unamortized deferred financing costs	(972,040)	(999,783)
Less current portion	(843,268)	(1,059,520)
	\$ 42,319,420	\$ 43,134,945

The Hospital granted a security interest in its revenues and a mortgage on substantially all of its real property in order to secure obligations issued under the Master Trust Indenture (the USDA Direct Loan, the guaranteed fixed bank loan and the non-guaranteed variable bank loan) among the Hospital and the Master Trustee. In addition to various financial covenants, the Hospital has covenanted in the Master Trust Indenture that it will not permit any lien or security interest on the Hospital's property and equipment other than certain permitted encumbrances. The Hospital believes it was in compliance with the financial covenants as of September 30, 2019 and 2018.

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

The aggregate annual maturities of long-term debt are as follows:

Year Ending September 30,	
2020	\$ 843,268
2021	824,475
2022	855,586
2023	887,958
2024	920,582
Thereafter	<u>39,802,859</u>
	<u>\$ 44,134,728</u>

As of September 30, 2019, the remaining payments under capital lease obligations approximated \$50,000 in 2020 and include interest of \$200. Property and equipment under capital leases as of September 30 include:

	2019	2018
Equipment	\$ 1,379,968	\$ 1,379,968
Less accumulated depreciation	<u>1,241,971</u>	<u>965,977</u>
	<u>\$ 137,997</u>	<u>\$ 413,991</u>

7. NET ASSETS WITH DONOR RESTRICTIONS

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

	2019	2018
Home health care services	\$ 242,407	\$ 243,304
Defibrillator projects	87,825	87,825
Other	<u>131,139</u>	<u>113,455</u>
	<u>\$ 461,371</u>	<u>\$ 444,584</u>

During 2019 and 2018, net assets were released from donor restrictions by incurring expenses or satisfying the restricted purposes primarily related to home health care services of approximately of \$11,000 and \$86,000, respectively. In 2018, net assets of \$2,340,000 were released from with donor restriction related to the dissolution of the Foundation.

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018

8. NET PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. These payment arrangements include:

Medicare

The Hospital is a provider of services to patients entitled to coverage under Titles XVIII and XIX of the Health Insurance Act (Medicare and Medicaid). In February 2003, the Hospital was granted Critical Access Status by Medicare and is paid for Medicare services based upon a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at an interim rate, with final settlement determined after submission of annual cost reports. Differences between the total program billed charges and the payments received are reflected as deductions from revenue. At the Hospital's year-end, a cost report is filed with the Medicare program computing reimbursement amounts related to Medicare patients.

Medicaid and Hospital Assessment Fee (HAF) and Healthy Indiana Plan (HIP) Programs

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

The Hospital participates in the State of Indiana's 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. 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. Beginning July 1, 2017, hospitals also started funding HIP, the State's Medicaid expansion program. The payments related to the HIP Program mirror the Medicaid payments under the HAF Program but the funding includes physician, state administration, and certain non-hospital expenditures.

During 2019 and 2018, the Hospital recognized HAF and HIP Program expense of approximately \$2,902,000 and \$1,790,000, respectively, which resulted in increased Medicaid reimbursement. The HAF and HIP Program expense is included in other expenses and the associated increase in Medicaid reimbursement is included in net patient service revenue on the consolidated statements of operations and changes in net assets.

Other Payment Arrangements

The Hospital has also 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.

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

A summary of net patient service revenue, contractual adjustments, and patient service revenue forgone for patient assistance, at standard charges, for 2019 and 2018 follows:

	2019	2018
Gross patient service revenue		
Routine services	\$ 6,636,051	\$ 6,370,550
Inpatient services	16,012,537	17,822,943
Outpatient services	125,581,382	119,420,918
Total gross patient service revenue	148,229,970	143,614,411
Less deductions from revenue		
Charity care	779,279	757,534
Contractual allowances	76,418,547	73,202,616
Total deductions from revenue	77,197,826	73,960,150
Net patient service revenue	71,032,144	69,654,261
Less provision for bad debts	4,969,229	6,784,213
Net patient service revenue less provision for bad debts	\$ 66,062,915	\$ 62,870,048

9. CONCENTRATION OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of who are area residents and are insured under third-party payor agreements. The mix of receivables and revenue from patients and third-party payors as of September 30 and for the years then ended was:

	Receivables		Revenues	
	2019	2018	2019	2018
Medicare	35%	33%	45%	47%
Medicaid	9%	9%	15%	14%
Blue Cross	9%	10%	17%	17%
Other third-party payors	22%	20%	19%	18%
Self pay	25%	28%	4%	4%
	100%	100%	100%	100%

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018

10. OPERATING LEASES - LESSEE

Noncancelable operating leases for certain diagnostic equipment and computer software and hardware expire in various years through 2023. Rental payments include minimum rentals, plus contingent rentals based on the number of procedures performed using the equipment. Future minimum lease payments under non-cancelable operating leases as of September 30, 2019 that have initial or remaining lease terms in excess of one year are as follows:

Year Ending September 30,	
2020	\$ 1,285,457
2021	865,615
2022	888,118
2023	711,522
	<u>\$ 3,750,712</u>

Rental expense for all operating leases for 2019 and 2018 was approximately \$2,150,000 and \$2,034,000, respectively.

11. OPERATING LEASES - LESSOR

The Hospital and CMO own an oncology facility on the Hospital campus and an assisted living facility. A portion of the oncology facility is leased to physicians and tenants under various operating leases, with terms varying from one to two years with renewal options. The oncology facility is included in property with a cost of approximately \$1,357,000 and \$1,313,000 and accumulated depreciation of \$627,000 and \$584,000 as of September 30, 2019 and 2018, respectively. The entities also operate an assisted living facility, which leases apartments under cancellable month-to-month lease terms. The assisted living facility is also included in property and equipment, with a cost of \$5,747,000 and \$5,363,000 and accumulated depreciation of \$2,577,000 and \$2,416,000 as of September 30, 2019 and 2018, respectively. Rental income under the term of these leases is included in other revenue and was \$1,289,000 and \$1,207,000 in 2019 and 2018, respectively.

Future minimum lease receipts at September 30, 2019 total approximately \$40,000 for 2020 as the majority of leases, mainly related to the assisted living facility, are less than one year.

12. PENSION PLAN

The Hospital has a defined contribution pension plan covering substantially all employees. The Hospital contributes 4% of eligible employees' compensation as a profit sharing contribution. The Hospital can also make a discretionary matching contribution as determined by the Board of Directors. There was no discretionary matching contribution in 2019 and 2018. Pension expense was approximately \$862,000 and \$780,000 for 2019 and 2018, respectively.

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018

13. MEDICAL MALPRACTICE

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

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

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

14. SELF-INSURED EMPLOYEE HEALTH CLAIMS

The Hospital's employee health care insurance is provided through a combination of self-insurance and purchased re-insurance coverage from a commercial carrier. The Hospital maintains an estimated liability for the amount of claims incurred but not reported. Substantially all employees are covered for major medical benefits. The specific annual attachment point for an individual is \$125,000 with an unlimited lifetime policy. The aggregate benefit maximum under the policy as of September 30, 2019 was \$1,000,000 per year. Total expense was approximately \$4,687,000 and \$4,931,000 during 2019 and 2018, respectively.

The liability for employee health claims represents management's estimate of all incurred and reported claims plus estimated incurred but not reported claims based on the Hospital's reporting system. The carrying amount of the liability was approximately \$400,000 as of September 30, 2019 and 2018. The liability is included in accrued expenses and other liabilities in the accompanying consolidated balance sheets. It is reasonably possible that the Hospital's estimate of losses will change by a material amount in the near term.

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

15. FUNCTIONAL EXPENSES

The Hospital and CMO provide general health care services to residents within their geographic location including pediatric care, cardiac intensive care and outpatient surgery. Certain costs such as salaries, wages and employee benefits have been allocated among health care services, general and administrative, and fundraising categories based on the actual direct expenditures and cost allocations based upon time spent by the Hospital's personnel. Other expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include purchased services and professional fees, supplies, repair and maintenance, utilities, building and equipment rent, insurance, interest, depreciation, and other expenses, which are allocated based on the ratio of direct costs charged to the category to total direct costs. Although the methods used were appropriate, alternative methods may provide different results. The Hospital's functional expenses for 2019 and 2018 consists of the following:

	2019			
	Health Care Services	General and Administrative	Fundraising	Total
Salaries and wages	\$ 21,984,201	\$ 3,737,718	\$ 89,527	\$ 25,811,446
Employee benefits	6,382,633	1,151,808	26,858	7,561,299
Purchased services and professional fees	9,946,169	1,724,071	31,135	11,701,375
Supplies	6,135,943	1,143,235	17,968	7,297,146
Repair and maintenance	2,188,487	387,326	6,358	2,582,171
Utilities	680,044	116,996	3,012	800,052
Building and equipment rent	1,956,339	192,748	1,262	2,150,349
Insurance	433,740	76,694	861	511,295
Interest	1,337,285	233,342	2,649	1,573,276
Depreciation	5,292,652	935,851	10,505	6,239,008
Other	5,219,109	407,597	133,096	5,759,802
	<u>\$ 61,556,602</u>	<u>\$ 10,107,386</u>	<u>\$ 323,231</u>	<u>\$ 71,987,219</u>

	2018			
	Health Care Services	General and Administrative	Fundraising	Total
Salaries and wages	\$ 20,460,075	\$ 3,610,602	\$ -0-	\$ 24,070,677
Employee benefits	6,502,526	1,147,504	-0-	7,650,030
Purchased services and professional fees	9,847,117	1,737,726	-0-	11,584,843
Supplies	5,812,594	1,025,752	-0-	6,838,346
Repair and maintenance	1,857,268	327,753	-0-	2,185,021
Utilities	701,893	123,864	-0-	825,757
Building and equipment rent	1,728,824	305,087	-0-	2,033,911
Insurance	448,111	79,078	-0-	527,189
Interest	1,388,340	245,001	-0-	1,633,341
Depreciation	5,368,291	947,345	-0-	6,315,636
Other	3,276,999	578,294	-0-	3,855,293
	<u>\$ 57,392,038</u>	<u>\$ 10,128,006</u>	<u>\$ -0-</u>	<u>\$ 67,520,044</u>

Fundraising expenses for 2018 were included in the Foundation's activity prior to the dissolution.

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018

16. SALE OF PATIENT ACCOUNTS

During 2019 and 2018, the Hospital sold its performing installment plan patient accounts receivable to HELP Financial (HELP). For the patient accounts included in the sale, payment plans are established through HELP. The payment plans offer 0% interest for terms of up to 12 months and 8% interest for terms ranging from 13 to 60 months. Any interest earned under the payment plans is retained by HELP.

Once the patient remits the initial payment to HELP, HELP purchases the associated account from the Hospital for either 86% or 80% of the balance (86% for 12-36 month loans and 80% for 37-60 month loans). The Hospital deposits 10% of the purchase into escrow to account for any defaults as the loans are full recourse. As of September 30, 2019 and 2018, the escrow account in the Hospital's name had a balance of approximately \$204,000 and \$157,000, respectively, and is included in cash on the consolidated balance sheets. As of September 30, 2019 and 2018, total loans outstanding with recourse held by HELP was \$1,457,000 and \$1,008,000, respectively. Based on default history, term length and other factors unique to the healthcare industry, the Hospital estimated and recorded a recourse liability of \$122,000 and \$94,000 as of September 30, 2019 and 2018, respectively, which is included within patient accounts receivable in the consolidated balance sheets.

The following information relates to the patient account receivables sold during 2019 and 2018. The 2018 information also includes the activity related to the sale of the Hospital's performing notes receivable.

<u>Fair values</u>	<u>2019</u>	<u>2018</u>
Cash	\$ 1,659,920	\$ 1,162,363
Recourse obligation	\$ 122,478	\$ 94,418
<u>Net proceeds</u>		
Cash received	\$ 1,659,920	\$ 1,162,363
Less recourse obligation	(122,478)	(94,418)
Net proceeds	<u>\$ 1,537,442</u>	<u>\$ 1,067,945</u>
<u>Gain (loss) on sale</u>		
Net proceeds	\$ 1,537,442	\$ 1,067,945
Less carrying amount of receivables sold	(1,159,067)	(1,094,982)
	<u>\$ 378,375</u>	<u>\$ (27,037)</u>

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018

17. THE FOUNDATION AND RELATED PARTY TRANSACTIONS

In September 2018, the Foundation was dissolved as a separate entity and became a department of the Hospital. All assets and liabilities were transferred to the Hospital. The following is a summary of the assets and liabilities transferred related to the dissolution in 2018:

Assets	
Cash	\$ 189,000
Other receivables	33,000
Investments	2,529,000
Property and equipment, net	<u>145,000</u>
Total assets	2,896,000
Liabilities	
Accounts payable	26,000
Accrued expenses and other liabilities	<u>86,000</u>
Total liabilities	<u>112,000</u>
Net assets	<u>\$ 2,784,000</u>

Prior to the transfer, the Hospital provided accounting and financial management services to the Foundation and billed the Foundation \$20,000 during 2018. The Foundation made contributions to the Hospital of approximately \$41,000 during 2018.

18. COMMITMENTS AND CONTINGENCIES

The U.S. Department of Justice, the Internal Revenue Service, and other federal agencies routinely conduct regulatory investigations and compliance audits of healthcare providers. The Hospital is subject to these regulatory efforts. Management believes that any liability resulting from these matters will not have a material impact on the financial position, results of operations or cash flows of the Hospital.

The Hospital is involved in various legal actions in the normal course of its operations. Management believes that any liability resulting from these matters will not have a material impact on the financial position, results of operations or cash flows of the Hospital.

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018

19. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Hospital's financial assets and liquidity resources available within one year of the consolidated balance sheet date for general expenditure are as follows:

Financial assets		
Cash, net of escrowed funds of \$204,000	\$	2,863,000
Patient accounts receivable, net		9,534,000
Other receivables		224,000
Investments		<u>20,231,000</u>
Total financial assets		32,852,000
Liquidity resource - line of credit		<u>3,000,000</u>
Total financial assets and liquidity resources	\$	<u><u>35,852,000</u></u>

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the consolidated balance sheet date. Receivables are subject to implied time restrictions, but are expected to be collected within one year. As a part of the Hospital's liquidity management, it has a policy to structure financial assets to be available as its general expenditures, liabilities and other obligations come due.

20. FEDERAL, STATE, AND LOCAL AWARDS

The *Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Government Sources*, issued by the Indiana State Board of Accounts, requires Indiana not-for-profit entities to disclose Federal, state and local awards expended during the entities' annual reporting period. During 2019 and 2018, the Hospital expended the following Federal awards as identified under the Catalog of Federal Domestic Assistance (CFDA) number:

Federal	<u>2019</u>	<u>2018</u>
Dept. of Health & Human Services through Indiana State Dept. of Health Small Rural Hospital Improvement Grant Program - CFDA 93.301	\$ -0-	\$ 11,472
Dept. of Health & Human Services Hospital Preparedness Program - CFDA 93.074	<u>2,000</u>	<u>8,319</u>
	<u>\$ 2,000</u>	<u>\$ 19,791</u>

The Hospital did not expend any State or local awards during 2019 and 2018.

SUPPLEMENTARY INFORMATION

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

CONSOLIDATING BALANCE SHEET
SEPTEMBER 30, 2019

ASSETS	Hospital	CMO	Eliminations	Total
Current assets				
Cash	\$ 2,508,399	\$ 558,244	\$ -0-	\$ 3,066,643
Patient accounts receivable, net	9,534,133	-0-	-0-	9,534,133
Other receivables	396,859	286,493	(459,150)	224,202
Inventory	1,746,838	-0-	-0-	1,746,838
Prepaid expenses	810,199	-0-	-0-	810,199
Total current assets	14,996,428	844,737	(459,150)	15,382,015
Assets whose use is limited				
Donor restricted	461,371	-0-	-0-	461,371
Investments	23,560,358	-0-	(3,329,021)	20,231,337
Property and equipment, net	43,367,928	3,664,686	-0-	47,032,614
Goodwill	885,713	-0-	-0-	885,713
Total assets	<u>\$ 83,271,798</u>	<u>\$ 4,509,423</u>	<u>\$ (3,788,171)</u>	<u>\$ 83,993,050</u>
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable	\$ 2,209,732	\$ 198,943	\$ (459,150)	\$ 1,949,525
Accrued wages and related liabilities	2,335,033	-0-	-0-	2,335,033
Accrued expenses and other liabilities	517,827	-0-	-0-	517,827
Estimated third-party settlements	156,239	-0-	-0-	156,239
Current portion of long-term debt	843,268	-0-	-0-	843,268
Total current liabilities	6,062,099	198,943	(459,150)	5,801,892
Long-term debt, less current portion	42,319,420	-0-	-0-	42,319,420
Total liabilities	48,381,519	198,943	(459,150)	48,121,312
Net assets				
Without donor restrictions	34,428,908	4,310,480	(3,329,021)	35,410,367
With donor restrictions	461,371	-0-	-0-	461,371
Total net assets	34,890,279	4,310,480	(3,329,021)	35,871,738
Total liabilities and net assets	<u>\$ 83,271,798</u>	<u>\$ 4,509,423</u>	<u>\$ (3,788,171)</u>	<u>\$ 83,993,050</u>

See Report of Independent Auditors on pages 1 and 2.

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

CONSOLIDATING BALANCE SHEET
SEPTEMBER 30, 2018

ASSETS	Hospital	CMO	Eliminations	Total
Current assets				
Cash	\$ 2,673,409	\$ 1,111,024	\$ -0-	\$ 3,784,433
Patient accounts receivable, net	9,809,507	-0-	-0-	9,809,507
Other receivables	586,817	904	(245,413)	342,308
Inventory	1,745,445	-0-	-0-	1,745,445
Prepaid expenses	911,631	-0-	-0-	911,631
Total current assets	15,726,809	1,111,928	(245,413)	16,593,324
Assets whose use is limited				
Donor restricted	444,584	-0-	-0-	444,584
Held by trustee	66,635	-0-	-0-	66,635
Total assets whose use is limited	511,219	-0-	-0-	511,219
Investments	23,505,629	-0-	(3,329,021)	20,176,608
Property and equipment, net	47,341,085	3,618,144	-0-	50,959,229
Goodwill	885,713	-0-	-0-	885,713
Total assets	<u>\$ 87,970,455</u>	<u>\$ 4,730,072</u>	<u>\$ (3,574,434)</u>	<u>\$ 89,126,093</u>
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable	\$ 1,733,527	\$ 268,795	\$ (245,413)	\$ 1,756,909
Accrued wages and related liabilities	2,322,594	-0-	-0-	2,322,594
Accrued expenses and other liabilities	698,863	-0-	-0-	698,863
Estimated third-party settlements	471,182	-0-	-0-	471,182
Current portion of long-term debt	1,059,520	-0-	-0-	1,059,520
Total current liabilities	6,285,686	268,795	(245,413)	6,309,068
Long-term debt, less current portion	43,134,945	-0-	-0-	43,134,945
Total liabilities	49,420,631	268,795	(245,413)	49,444,013
Net assets				
Without donor restrictions	38,105,240	4,461,277	(3,329,021)	39,237,496
With donor restrictions	444,584	-0-	-0-	444,584
Total net assets	<u>38,549,824</u>	<u>4,461,277</u>	<u>(3,329,021)</u>	<u>39,682,080</u>
Total liabilities and net assets	<u>\$ 87,970,455</u>	<u>\$ 4,730,072</u>	<u>\$ (3,574,434)</u>	<u>\$ 89,126,093</u>

See Report of Independent Auditors on pages 1 and 2.

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2019

	Hospital	CMO	Eliminations	Total
Revenue, gains and other support				
Net patient service revenue	\$ 71,032,144	\$ -0-	\$ -0-	\$ 71,032,144
Less provision for bad debts	4,969,229	-0-	-0-	4,969,229
Net patient service revenue				
less provision for bad debts	66,062,915	-0-	-0-	66,062,915
Other revenue	642,117	1,563,114	(373,439)	1,831,792
Total revenue, gains and other support	66,705,032	1,563,114	(373,439)	67,894,707
Expenses				
Salaries and wages	25,161,791	649,655	-0-	25,811,446
Employee benefits	7,561,299	-0-	-0-	7,561,299
Purchased services and professional fees	11,634,049	67,326	-0-	11,701,375
Supplies	7,029,211	267,935	-0-	7,297,146
Repair and maintenance	2,552,360	29,811	-0-	2,582,171
Utilities	699,620	100,432	-0-	800,052
Building and equipment rent	2,189,196	112,379	(151,226)	2,150,349
Insurance	511,295	-0-	-0-	511,295
Interest	1,573,276	-0-	-0-	1,573,276
Depreciation	6,065,262	173,746	-0-	6,239,008
Other	5,670,998	311,017	(222,213)	5,759,802
Total expenses	70,648,357	1,712,301	(373,439)	71,987,219
Operating loss	(3,943,325)	(149,187)	-0-	(4,092,512)
Nonoperating income (loss)				
Contributions	133,544	-0-	-0-	133,544
Net assets released from donor restrictions	11,108	-0-	-0-	11,108
Investment return, net	122,686	-0-	-0-	122,686
Loss on disposal of property and equipment	(345)	(1,610)	-0-	(1,955)
Total nonoperating income (loss)	266,993	(1,610)	-0-	265,383
Revenues over (under) expenses	(3,676,332)	(150,797)	-0-	(3,827,129)
Net assets with donor restrictions				
Contributions	27,895	-0-	-0-	27,895
Net assets released from donor restrictions	(11,108)	-0-	-0-	(11,108)
Change in net assets with donor restrictions	16,787	-0-	-0-	16,787
Change in net assets	(3,659,545)	(150,797)	-0-	(3,810,342)
Net assets				
Beginning of year	38,549,824	4,461,277	(3,329,021)	39,682,080
End of year	\$ 34,890,279	\$ 4,310,480	\$ (3,329,021)	\$ 35,871,738

See Report of Independent Auditors on pages 1 and 2.

CAMERON MEMORIAL COMMUNITY HOSPITAL, INC.

CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2018

	Hospital	CMO	Eliminations	Total
Revenue, gains and other support				
Net patient service revenue	\$ 68,451,786	\$ 1,202,475	\$ -0-	\$ 69,654,261
Less provision for bad debts	6,784,213	-0-	-0-	6,784,213
Net patient service revenue				
less provision for bad debts	61,667,573	1,202,475	-0-	62,870,048
Other revenue	1,292,308	1,567,122	(683,495)	2,175,935
Total revenue, gains and other support	62,959,881	2,769,597	(683,495)	65,045,983
Expenses				
Salaries and wages	22,544,738	1,525,939	-0-	24,070,677
Employee benefits	7,650,030	-0-	-0-	7,650,030
Purchased services and professional fees	11,531,718	53,125	-0-	11,584,843
Supplies	6,561,608	276,738	-0-	6,838,346
Repair and maintenance	2,140,333	44,688	-0-	2,185,021
Utilities	722,572	103,185	-0-	825,757
Building and equipment rent	1,866,085	344,680	(176,854)	2,033,911
Insurance	516,144	11,045	-0-	527,189
Interest	1,633,341	-0-	-0-	1,633,341
Depreciation	6,113,848	201,788	-0-	6,315,636
Other	3,745,400	616,534	(506,641)	3,855,293
Total expenses	65,025,817	3,177,722	(683,495)	67,520,044
Operating loss	(2,065,936)	(408,125)	-0-	(2,474,061)
Nonoperating income (loss)				
Net assets released from donor restrictions	2,380,576	-0-	-0-	2,380,576
Investment return, net	784,129	-0-	-0-	784,129
Loss on disposal of property and equipment	(47,499)	-0-	-0-	(47,499)
Total nonoperating income (loss)	3,117,206	-0-	-0-	3,117,206
Revenues over (under) expenses	1,051,270	(408,125)	-0-	643,145
Other changes in net assets				
Net assets released from donor restrictions for property	45,460	-0-	-0-	45,460
Change in net assets without donor restrictions	1,096,730	(408,125)	-0-	688,605
Net assets with donor restrictions				
Contributions	40,914	-0-	-0-	40,914
Change in net assets of Foundation	124,106	-0-	-0-	124,106
Net assets released from donor restrictions	(2,426,036)	-0-	-0-	(2,426,036)
Change in net assets with donor restrictions	(2,261,016)	-0-	-0-	(2,261,016)
Change in net assets	(1,164,286)	(408,125)	-0-	(1,572,411)
Net assets				
Beginning of year	39,714,110	4,869,402	(3,329,021)	41,254,491
End of year	\$ 38,549,824	\$ 4,461,277	\$ (3,329,021)	\$ 39,682,080

See Report of Independent Auditors on pages 1 and 2.



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

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

Report on the Consolidated 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 consolidated financial statements of Cameron Memorial Community Hospital, Inc. (the Hospital) which comprise the consolidated balance sheet as of September 30, 2019, and the related consolidated statements of operations and changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 19, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Hospital's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 consolidated 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 Directors
Cameron Memorial Community Hospital, Inc.
Angola, 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's consolidated 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 determination of consolidated financial statement amounts. 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
December 19, 2019