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June 5, 2020

Board of Trustees
Good Samaritan Hospital
520 S. Seventh Street
Vincennes, IN 47591

We have reviewed the audit report of Good Samaritan Hospital which was opined upon by Blue & Co., LLC, Independent Public Accountants, for the period January 1, 2019 to December 31, 2019. Per the *Report of Independent Auditors*, the financial statements included in the report present fairly the financial condition of Good Samaritan Hospital, as of December 31, 2019 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

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

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner



Good Samaritan

CONSOLIDATED FINANCIAL STATEMENTS

AND

REQUIRED SUPPLEMENTARY INFORMATION

AND

SUPPLEMENTARY INFORMATION

DECEMBER 31, 2019 AND 2018

CPAs / ADVISORS



GOOD SAMARITAN HOSPITAL

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REPORT OF INDEPENDENT AUDITORS

Board of Governors
Good Samaritan Hospital
Vincennes, Indiana

We have audited the accompanying consolidated financial statements of Knox County Hospital d/b/a Good Samaritan Hospital (the Hospital), a component unit of Knox County, which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of revenues, expenses and changes in net position, 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 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. 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 entity'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 entity'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 Governors
Good Samaritan Hospital
Vincennes, 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 December 31, 2019 and 2018, and its respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on 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 basic consolidated financial statements. Such information, although not a part of the basic consolidated financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audits of the basic consolidated 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.

Blue & Co., LLC

Indianapolis, Indiana
May 19, 2020

REQUIRED SUPPLEMENTARY INFORMATION

GOOD SAMARITAN HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2019 AND 2018

This section of Good Samaritan Hospital's (the Hospital) annual consolidated financial statements presents background information and management's discussion and analysis (MD&A) of the Hospital's consolidated financial performance during the year ended December 31, 2019. This MD&A does include a discussion and analysis of the activities and results of the Hospital's blended component units, Good Samaritan Hospital Foundation, Inc. and Good Samaritan Hospital Physician Services, Inc., and should be read in conjunction with the Hospital's consolidated financial statements that follow this MD&A.

Financial Highlights

- The Hospital's net position increased approximately \$10,561,000 or 6.1% in 2019.
- The Hospital reported operating income of approximately \$8,514,000 for 2019, representing an increase in operating income of \$14,512,000 in comparison to the 2018 results.
- The Hospital continued its improvement of facilities and equipment in 2019 by adding approximately \$10,816,000 in gross property and equipment. The Hospital disposed of capital assets with a net book value of \$294,000 during 2019. These items combined with depreciation expense of \$19,824,000 resulted in net capital assets decreasing \$9,302,000 from the prior year.
- During 2019 and 2018, the Hospital recognized approximately \$115,964,000 and \$112,003,000, respectively, of gross patient service revenue related to long-term care.

Using This Annual Report

The Hospital's consolidated financial statements consist of three statements – a balance sheet; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These consolidated financial statements and related notes provide information about the financial activities and the financial position of the Hospital.

The consolidated balance sheet includes all of the Hospital's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities).

All of the current year's revenue earned, expenses incurred and changes in net position are accounted for in the consolidated statement of revenues, expenses and changes in net position.

Finally, the purpose of the consolidated statement of cash flows is to provide information about the Hospital's cash flows from operating activities, financing activities including capital additions, and investing activities. This statement provides information on the sources and uses of cash and the change in the cash balance during the year.

GOOD SAMARITAN HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2019 AND 2018

The Consolidated Balance Sheet and Statement of Revenues, Expenses and Changes in Net Position

One of the most important questions asked about the Hospital's finances is, "What is the financial strength of the Hospital?" The balance sheet and the statement of revenues, expenses and changes in net position report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Hospital's net position and changes in it. Think of the Hospital's net position, the difference between assets and liabilities, as one way to measure the Hospital's financial health, or financial position. Over time, increases or decreases in the Hospital's net position are one indicator of whether its financial health is improving or deteriorating. Consider other nonfinancial factors, however, such as changes in the Hospital's patient base and measures of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the Hospital.

Table 1: Consolidated Balance Sheets

The significant change in the Hospital's assets and deferred outflows occurred within current assets as investments increased approximately \$17,704,000 in 2019 compared to 2018. The total asset and deferred outflows increase of \$11,930,000 in 2019 was a 3.7% increase from 2018. Total liabilities increased by \$1,369,000 during 2019. Net position increased by \$10,561,000 in 2019 compared to 2018. The increase relates to favorable operations and investment return.

	2019	2018	Change 2019 - 2018	2017	Change 2018 - 2017
Assets and deferred outflows					
Current assets	\$ 146,213,866	\$ 126,912,888	\$ 19,300,978	\$ 131,541,753	\$ (4,628,865)
Capital assets, net	181,485,312	190,787,318	(9,302,006)	204,719,836	(13,932,518)
Other assets and deferred outflows	4,151,780	2,220,593	1,931,187	958,562	1,262,031
Total assets and deferred outflows	<u>\$ 331,850,958</u>	<u>\$ 319,920,799</u>	<u>\$ 11,930,159</u>	<u>\$ 337,220,151</u>	<u>\$ (17,299,352)</u>
Liabilities					
Current liabilities	\$ 38,284,227	\$ 34,401,087	\$ 3,883,140	\$ 37,796,533	\$ (3,395,446)
Long-term debt, net of current portion	109,469,971	111,984,227	(2,514,256)	113,876,659	(1,892,432)
Total liabilities	147,754,198	146,385,314	1,368,884	151,673,192	(5,287,878)
Net position					
Unrestricted	109,379,691	91,801,420	17,578,271	91,499,349	302,071
Net investment in capital assets	69,228,843	76,235,425	(7,006,582)	88,581,945	(12,346,520)
Restricted - debt service	5,488,226	5,498,640	(10,414)	5,465,665	32,975
Total net position	<u>184,096,760</u>	<u>173,535,485</u>	<u>10,561,275</u>	<u>185,546,959</u>	<u>(12,011,474)</u>
Total liabilities and net position	<u>\$ 331,850,958</u>	<u>\$ 319,920,799</u>	<u>\$ 11,930,159</u>	<u>\$ 337,220,151</u>	<u>\$ (17,299,352)</u>

GOOD SAMARITAN HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2019 AND 2018

Total assets and deferred outflows in 2018 compared to 2017 decreased approximately \$17,299,000. The majority of the change was in capital assets which decreased \$13,933,000 in 2018 from 2017. Current liabilities in 2018 decreased \$3,395,000 mainly related to the reduction in the line of credit by \$5,000,000. The net position in 2018 decreased \$12,011,000 based primarily on unfavorable operations and investment return.

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

The Hospital's performance in 2019 showed a positive return on equity of 5.7% compared to negative 6.9% in 2018. Total operating revenue increased approximately \$17,682,000 as net patient service revenue increased \$15,661,000 in 2019 over 2018. Expenses increased by \$3,170,000 between 2018 and 2019. Salaries, wages and benefits decreased \$2,020,000 in 2019. Professional fees and purchased services increased \$3,776,000 in 2019 while medical supplies and drugs increased \$1,732,000 in 2019. Nonoperating revenues and expenses increased by \$8,061,000 due to investment return of \$6,824,000 in 2019 compared to investment loss of \$883,000 in 2018.

	2019	2018	Change 2019 - 2018	2017	Change 2018 - 2017
Operating revenues					
Net patient service revenue	\$ 332,472,400	\$ 316,811,891	\$ 15,660,509	\$ 316,467,720	\$ 344,171
Federal, state, and county grant revenue	3,775,929	3,003,923	772,006	2,935,276	68,647
County appropriations	586,787	540,060	46,727	519,289	20,771
Other operating revenues	4,123,803	2,921,418	1,202,385	2,250,856	670,562
Total operating revenues	340,958,919	323,277,292	17,681,627	322,173,141	1,104,151
Operating expenses					
Salaries, wages and benefits	130,020,496	132,040,527	(2,020,031)	134,986,055	(2,945,528)
Professional fees and purchased services	82,971,170	79,195,181	3,775,989	82,310,895	(3,115,714)
Medical supplies and drugs	36,365,227	34,632,892	1,732,335	32,628,853	2,004,039
Depreciation	19,823,985	20,867,586	(1,043,601)	21,041,866	(174,280)
Other operating expenses	63,264,302	62,538,927	725,375	56,146,086	6,392,841
Total operating expenses	332,445,180	329,275,113	3,170,067	327,113,755	2,161,358
Operating income (loss)	8,513,739	(5,997,821)	14,511,560	(4,940,614)	(1,057,207)
Non-operating revenues and expenses					
Investment return	6,824,285	(882,677)	7,706,962	3,251,211	(4,133,888)
Interest expense	(6,079,210)	(5,829,400)	(249,810)	(3,957,329)	(1,872,071)
Other nonoperating	1,302,461	698,424	604,037	546,495	151,929
Total non-operating revenues (expenses)	2,047,536	(6,013,653)	8,061,189	(159,623)	(5,854,030)
Change in net position	10,561,275	(12,011,474)	22,572,749	(5,100,237)	(6,911,237)
Net position					
Beginning of year	173,535,485	185,546,959	(12,011,474)	190,647,196	(5,100,237)
End of year	<u>\$ 184,096,760</u>	<u>\$ 173,535,485</u>	<u>\$ 10,561,275</u>	<u>\$ 185,546,959</u>	<u>\$ (12,011,474)</u>

GOOD SAMARITAN HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2019 AND 2018

Total operating revenue increased approximately \$1,104,000 as net patient service revenue increased \$344,000 in 2018 over 2017. Expenses increased by \$2,161,000 between 2017 and 2018. Salaries, wages and benefits decreased by \$2,946,000 in 2018. Professional fees and purchased services decreased \$3,116,000 in 2018. Additionally, other operating expenses increased by \$6,392,000 in 2018. Nonoperating revenues and expenses decreased by \$5,854,000 due to investment loss of \$883,000 in 2018 compared to investment income of \$3,251,000 in 2017 combined with interest expense increasing \$1,872,000 in 2018.

Consolidated Statements of Cash Flows

The final required statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as "What were the sources of cash?" "What was cash used for?" and "What was the change in cash balance during the reporting period?"

Total cash and cash equivalents increased approximately \$8,998,000 in 2019. This was an increase of \$4,540,000 from 2018. Operating activities generated cash of \$31,540,000 during 2019 compared to \$22,591,000 in 2018. Capital and related financing decreased cash and cash equivalents by \$18,841,000 during 2019 compared to a decrease of \$19,246,000 in 2018, mainly as the result of expenditures for property and equipment additions and cash paid for interest. Investing activities decreased cash and cash equivalents by \$3,701,000 in 2019 compared to increasing cash and cash equivalents by \$1,113,000 in 2018, due to investment activity.

	2019	2018	Change 2019 - 2018	2017	Change 2018 - 2017
Cash flows from activities					
Operating	\$ 31,539,964	\$ 22,590,749	\$ 8,949,215	\$ 5,876,942	\$ 16,713,807
Capital and related financing	(18,840,503)	(19,246,352)	405,849	(23,061,511)	3,815,159
Investing	(3,701,107)	1,113,482	(4,814,589)	(229,014)	1,342,496
	<u>\$ 8,998,354</u>	<u>\$ 4,457,879</u>	<u>\$ 4,540,475</u>	<u>\$ (17,413,583)</u>	<u>\$ 21,871,462</u>

Cash flows from operating activities in 2018 were approximately \$16,714,000 more than 2017. Cash flows used in capital and related financing activities in 2018 were \$3,815,000 more than 2017. Finally, cash flows used in investing activities in 2018 were \$1,342,000 more than 2017. Cash and cash equivalents in total increased \$4,458,000 in 2018.

Sources of Revenue

During 2019, 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 68% of gross revenues of operations in 2019.

GOOD SAMARITAN HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2019 AND 2018

The following is a table of major sources of gross patient revenues for 2019:

Payor	2019	2018	2017
Medicare	54%	54%	53%
Medicaid	14%	13%	15%
Other commercial	29%	29%	28%
Self pay	3%	4%	4%
	100%	100%	100%

Inpatient services represented approximately 28% of gross patient revenue for 2019 while outpatient services represented 58%. Long-term care represented 14% in 2019. The composition of the 2019 sources are comparable to 2018 and 2017.

Capital Assets

During 2019, the Hospital invested approximately \$6,589,000 in capital assets net of asset disposals compared to \$3,299,000 in 2018. The change in capital assets is outlined in the following table:

	2019	2018	Change 2019 - 2018	2017	Change 2018 - 2017
Land	\$ 6,581,448	\$ 6,781,448	\$ (200,000)	\$ 6,912,648	\$ (131,200)
Land improvements	10,609,282	10,676,928	(67,646)	10,608,071	68,857
Buildings and improvements	164,668,754	161,900,759	2,767,995	161,460,880	439,879
Equipment	224,608,959	220,625,070	3,983,889	216,109,666	4,515,404
Construction in progress	970,209	865,423	104,786	2,459,629	(1,594,206)
Total capital assets	407,438,652	400,849,628	6,589,024	397,550,894	3,298,734
Less accumulated depreciation	225,953,340	210,062,310	15,891,030	192,831,058	17,231,252
Capital assets, net	\$ 181,485,312	\$ 190,787,318	\$ (9,302,006)	\$ 204,719,836	\$ (13,932,518)

The Hospital continues to invest in its facilities to meet the needs of the community, and strives to replace, as well as upgrade, equipment as needed. More detailed information about the Hospital's capital assets is presented in the notes to the consolidated financial statements.

Debt

Total long-term debt (including current portion) decreased from approximately \$114,552,000 to \$112,256,000 in 2019. In 2018 total long-term debt (including current portion) decreased \$1,586,000 compared to 2017. The primary reason for the decrease in long term debt was principal payments made during the years. More detailed information about the Hospital's long-term debt is presented in the notes to the consolidated financial statements.

GOOD SAMARITAN HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

DECEMBER 31, 2019 AND 2018

ECONOMIC OUTLOOK

Subsequent to December 31, 2019, the World Health Organization declared Coronavirus (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 that the health care industry and the Hospital's operating margins will continue to be under pressure due to a variety of factors including, but not limited to, COVID-19, uncertainty regarding health care reform, changes in payor and services mix, and growth in operating expenses that are in excess of the increases in contractually arranged and legally established payments received for services rendered. In addition, the adoption of high-deductible health plans by employers continues to occur and patients are increasingly being held responsible for more of the cost of health care. Consequently, the health care market place has been increasingly more competitive. The ongoing challenge facing the Hospital is to continue to provide quality patient care in this competitive environment, and to attain reasonable rates for the services that are provided while managing costs. The most significant factor affecting the Hospital is finding the balance in maintaining and controlling labor costs in the face of pressures on volume and pricing for its services in this increasingly competitive, retail-like environment.

CONTACTING THE HOSPITAL'S FINANCIAL MANAGEMENT

This financial report is designed to provide fiscal reporting to patients, county residents, suppliers and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Accounting at Good Samaritan Hospital, 520 South 7th Street, Vincennes, Indiana 47591.

GOOD SAMARITAN HOSPITAL

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 25,719,502	\$ 24,574,020
Investments	63,224,412	45,520,570
Restricted cash	5,488,226	5,498,640
Patient accounts receivable, net of estimated allowance for uncollectible accounts of approximately \$5,453,000 in 2019 and \$6,256,000 in 2018	38,167,281	40,624,365
Other receivables	5,889,805	4,188,694
Supplies	2,026,643	2,381,281
Prepaid expenses	4,686,506	4,125,318
Estimated third-party settlements	1,011,491	-0-
Total current assets	146,213,866	126,912,888
Capital assets, net	181,485,312	190,787,318
Other assets	3,844,023	1,849,448
Total assets	331,543,201	319,549,654
Deferred outflows	307,757	371,145
Total assets and deferred outflows	\$ 331,850,958	\$ 319,920,799
LIABILITIES AND NET POSITION		
Current liabilities		
Current portion of long-term debt	\$ 2,786,498	\$ 2,567,666
Accounts payable and accrued expenses	9,772,516	7,381,643
Accrued wages and related liabilities	13,564,611	13,530,743
Other current liabilities	12,130,872	10,744,723
Estimated third-party settlements	29,730	176,312
Total current liabilities	38,284,227	34,401,087
Long-term debt, net of current portion	109,469,971	111,984,227
Total liabilities	147,754,198	146,385,314
Net position		
Unrestricted	109,379,691	91,801,420
Net investment in capital assets	69,228,843	76,235,425
Restricted - debt service	5,488,226	5,498,640
Total net position	184,096,760	173,535,485
Total liabilities and net position	\$ 331,850,958	\$ 319,920,799

See accompanying notes to consolidated financial statements.

GOOD SAMARITAN HOSPITAL

CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Operating revenue		
Net patient service revenue	\$ 332,472,400	\$ 316,811,891
Federal, state, and county grant revenue	3,775,929	3,003,923
County appropriations	586,787	540,060
Other revenue	4,123,803	2,921,418
Total operating revenue	340,958,919	323,277,292
Operating expenses		
Salaries and wages	102,615,859	103,922,127
Employee benefits	27,404,637	28,118,400
Physician fees	9,435,732	13,169,721
Professional fees and purchased services	82,971,170	79,195,181
Medical supplies and drugs	36,365,227	34,632,892
Other supplies	11,205,312	10,361,725
Utilities	4,940,417	5,000,519
Rent and leases	14,362,614	12,203,228
Depreciation	19,823,985	20,867,586
HAF and HIP program fees	11,838,968	9,774,644
Other	11,481,259	12,029,090
Total operating expenses	332,445,180	329,275,113
Operating income (loss)	8,513,739	(5,997,821)
Nonoperating revenues (expenses)		
Investment return	6,824,285	(882,677)
Interest expense	(6,079,210)	(5,829,400)
Other nonoperating	1,302,461	698,424
Total nonoperating revenues (expenses)	2,047,536	(6,013,653)
Change in net position	10,561,275	(12,011,474)
Net position		
Beginning of year	173,535,485	185,546,959
End of year	\$ 184,096,760	\$ 173,535,485

See accompanying notes to consolidated financial statements.

GOOD SAMARITAN HOSPITAL

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Cash flows from operating activities		
Cash received from patients and third party payors	\$ 326,295,159	\$ 314,041,177
Cash paid to employees for wages and benefits	(129,986,628)	(131,690,911)
Cash paid to vendors for goods and services	(168,892,370)	(162,680,935)
Other operating receipts, net	4,123,803	2,921,418
Net cash flows from operating activities	31,539,964	22,590,749
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(10,322,179)	(5,993,581)
(Gain) loss on disposal of property and equipment	(388,466)	(50,746)
Proceeds from disposal of property and equipment	682,137	198,220
Cash paid for interest on long-term debt	(6,159,965)	(5,902,316)
Payments on line of credit	-0-	(5,000,000)
Principal payments on long-term debt	(2,652,030)	(2,497,929)
Net cash flows from capital and related financing activities	(18,840,503)	(19,246,352)
Cash flows from investing activities		
Investment return and other non-operating	8,126,746	(184,253)
Change in other assets, net	(1,987,297)	(1,325,979)
Purchases of investments	(12,406,315)	(3,016,012)
Proceeds from sale of investments	2,565,759	5,639,726
Net cash flows from investing activities	(3,701,107)	1,113,482
Net change in cash and cash equivalents	8,998,354	4,457,879
Cash and cash equivalents		
Beginning of year	43,875,759	39,417,880
End of year	\$ 52,874,113	\$ 43,875,759
Reconciliation to the balance sheets		
Cash and cash equivalents	\$ 25,719,502	\$ 24,574,020
Investments	21,666,385	13,803,099
Restricted cash	5,488,226	5,498,640
Total cash and cash equivalents	\$ 52,874,113	\$ 43,875,759

See accompanying notes to consolidated financial statements.

GOOD SAMARITAN HOSPITAL

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Reconciliation of operating income (loss) to net cash flows from operating activities		
Operating income (loss)	\$ 8,513,739	\$ (5,997,821)
Adjustment to reconcile operating income (loss) to net cash flows from operating activities		
Depreciation	19,823,985	20,867,586
Provision for bad debts	20,275,610	22,469,507
Changes in operating assets and liabilities		
Patient accounts receivable	(17,818,526)	(18,983,508)
Other receivables	(1,701,111)	2,319,682
Supplies	354,638	(21,532)
Prepaid expenses	(561,188)	678,881
Accounts payable and accrued expenses	2,390,873	(791,056)
Accrued wages and related liabilities	33,868	349,616
Other current liabilities	1,386,149	1,725,446
Estimated third-party settlements	(1,158,073)	(26,052)
Net cash flows from operating activities	\$ 31,539,964	\$ 22,590,749
Supplemental cash flows information		
Property included in accounts payable	\$ -0-	\$ 40,166
Noncash investing/financing activities		
Property acquired by capital lease	\$ 493,471	\$ 1,048,795

See accompanying notes to consolidated financial statements.

GOOD SAMARITAN HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

1. SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity

Knox County Hospital d/b/a Good Samaritan Hospital (the Hospital) is a county owned facility and operates under the Indiana County Hospital Law, Indiana Code 16-22. The Hospital provides short-term inpatient, outpatient, and emergency healthcare as well as long-term care. The Board of County Commissioners of Knox County appoints the Board of Governors of the Hospital and a financial benefit/burden relationship exists between Knox County (the County) and the Hospital. For these reasons, the Hospital is considered a component unit of the County.

The consolidated 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 the County that is attributable to the transactions of the Hospital and its component units. They do not purport to, and do not, present the financial position of the County as of December 31, 2019 and 2018, the changes in its net position or its cash flows for the years then ended.

Accounting principles generally accepted in the United States of America require the consolidated financial statements present the Hospital and its blended component units, collectively referred to as "primary government". The component units discussed in these consolidated financial statements are included in the Hospital's reporting entity because of the significance of their operational or financial relationship with the Hospital. A blended component unit, although a legally separate entity, is in substance part of the primary government unit of operations and exists solely to provide services to the Hospital.

Long-Term Care Operations

The Hospital leases the operations of multiple long-term care facilities by way of arrangements with the managers of the facilities. These facilities provide inpatient and therapy services. Generally, gross revenues from the operation of the facilities are the property of the Hospital, who 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, who retains the authority and legal responsibility for the operation of the facilities.

The Hospital has lease agreements for the long-term care facilities, collectively referred to as the lessors, to lease the facilities managed by the managers. Concurrently, the Hospital entered into agreements with the managers to manage the leased facilities. As part of the agreements, the Hospital pays the managers a management fee to continue managing the facilities on behalf of the Hospital in accordance with the terms of the agreements. These management fees consist of base management fees, subordinated management fees, and quarterly incentive payments. The agreements expire at various times through 2021. The terms of these agreements may be renewed at the end of each term for an additional period of two years. All parties involved can terminate the agreement without cause with 90 days written notice.

GOOD SAMARITAN HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

Basis of Consolidation

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.

Good Samaritan Hospital Foundation, Inc. (the Foundation) is a significant blended component unit of the Hospital. The Hospital appoints a voting majority of the Foundation's Board of Directors 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 provides services entirely or almost entirely to the Hospital.

The activities of the Foundation may include capital improvements, educational programs, medical related research and initial capital for experimental health services related to the principal purpose of the Hospital. The Foundation also manages investments, provides equipment, grants scholarships for health careers, conducts physician recruitment and other medical programs as directed under the terms of a contract with the Hospital. Separate audited financial statements are not issued for the Foundation.

Good Samaritan Hospital Physician Services, Inc. (PSI) is a significant blended component unit of the Hospital. The Hospital is the sole corporate member and appoints PSI's Board of Directors and is able to impose its will. Although it is legally separate from the Hospital, PSI is reported as if it were a part of the Hospital because the two governing bodies are substantially the same. PSI provides pharmacy services to the surrounding communities. Separate audited financial statements are not issued for PSI.

All intercompany accounts and transactions have been eliminated.

Measurement Focus and Basis of Accounting

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

Use of Estimates

The preparation of 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. Actual results could differ from those estimates.

GOOD SAMARITAN HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

Cash and Cash Equivalents

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

Investments

Investments consist of municipal bonds, mutual funds (including money market mutual funds), exchange traded funds, certificates of deposit, money market deposit funds and cash. Investments are reported at fair value except for certificates of deposit which are reported at contract value. Investments are classified as current assets as the Hospital has access to the investments if needed.

Restricted Cash

Restricted cash is comprised of funds held by a trustee for the Hospital's debt service.

Patient Accounts Receivable and Net Patient Service Revenue

Patient revenues and the related accounts receivable are recorded at the time services to patients are performed. 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). Differences between the total program billed charges and the payments received are reflected as deductions from revenue. At year-end, a cost report for hospital-based services 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 programs. 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 in the year the cost report is settled. Amounts for unresolved cost reports for 2017 through 2019 are reflected in estimated third-party settlements on the consolidated balance sheets. During 2019 and 2018, the change in net position recognized by the Hospital in the consolidated statements of revenues, expenses and changes in net position due to the differences between original estimates and subsequent revisions for the final settlement of cost reports was not significant. 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 consolidated financial statements.

The Hospital has entered into agreements with certain commercial carriers. Reimbursement for services under these agreements includes discounts from established charges and other payment methodologies. 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.

GOOD SAMARITAN HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Other Receivables

Other receivables consist of other reimbursement receivables and various other current items. These assets are classified as current as they are expected to be utilized within the next fiscal year.

Supplies

Supplies consist primarily of pharmaceutical and medical supplies. Supplies are valued at the lower of cost or net realizable value with cost being determined on the first-in, first-out method. Supplies consist of the following as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Medical supplies and other	\$ 442,472	\$ 621,141
Pharmaceutical	1,584,171	1,760,140
	<u>\$ 2,026,643</u>	<u>\$ 2,381,281</u>

Capital Assets and Depreciation

Capital assets such as property and equipment are stated at cost and include expenditures for new additions and other costs added to existing facilities, which exceed capitalization thresholds and meet certain useful life requirements. Contributed capital assets are reported at their estimated fair market value at the time of their donation. Maintenance, repairs and minor renewals are expensed as incurred.

The Hospital provides for depreciation of property and equipment using annual rates, which are sufficient to depreciate the cost of depreciable assets over their estimated useful lives using the straight-line method.

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

<u>Description</u>	<u>Range of Useful Lives</u>
Land improvements	5 - 25 years
Buildings and improvements	5 - 40 years
Equipment	3 - 20 years

GOOD SAMARITAN HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

Deferred Outflows of Resources

A deferred outflow of resources is a consumption of net position by the Hospital that is applicable to a future reporting period. Deferred outflows of resources are reported in the consolidated balance sheets but are not recognized in the consolidated financial statements as expenses until the periods to which they relate. Deferred outflows of resources consist of losses on debt refunding. The Hospital expects to recognize approximately \$71,000 in amortization annually through 2023 and \$16,000 in 2024 related to the losses on refunding.

Compensated Absences

Hospital policies permit eligible employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Accumulated vacation benefits are reported as a current liability of approximately \$577,000 and \$597,000 for 2019 and 2018, respectively, and are included within accrued wages and related liabilities in the consolidated balance sheets.

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. Restricted net position consists of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors, or donors external to the Hospital, including amounts deposited with trustees as required by debt agreements. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets, or restricted net position.

Restricted Resources

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

GOOD SAMARITAN HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

Consolidated Statements of Revenues, Expenses and Changes in Net Position

The Hospital's consolidated statements of revenues, expenses and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services which is the principal activity of the Hospital. Contributions and investment return are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, excluding interest costs.

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 maintains records to identify and monitor the level of charity care it provides. These records include the amount of services and supplies furnished under its charity care policy. The charity care charges provided during 2019 and 2018 were approximately \$11,701,000 and \$13,318,000, respectively.

Of the Hospital's total expenses reported, an estimated \$4,981,000 and \$5,634,000 arose from providing services to charity patients during 2019 and 2018, respectively. The estimated costs of providing charity services are based on a calculation, which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of costs to charges is calculated based on the Hospital's total expenses (including interest expense) to gross patient service revenue.

Grants and Contributions

From time to time, the Hospital receives grants 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 for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

Federal, State, and County Grant Revenue

The Hospital has a contract with the State of Indiana Division of Mental Health and Addiction (the State) to provide community mental health services. The State has a performance based reimbursement system. Under this contract, the Hospital is paid a fixed quarterly amount for outcome measures and a performance based quarterly amount for process measures with a possible bonus at year-end.

GOOD SAMARITAN HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

Indiana state law stipulates that the counties served by community mental health centers provide the Hospital a designated amount based upon a stipulated formula. Tax receipts are designated to be remitted to the Hospital by June and December each year. The Hospital recognizes the county tax receipts as income in the period the funds are due from the counties. Accordingly, amounts are recorded as receivable or deferred revenue based upon the timing of the actual receipts.

The Hospital receives federal, state and other grants for providing services in specific program areas. Receipt of these funds is subject to the fulfillment of certain obligations by the Hospital as prescribed by these programs and funds may be subject to repayment upon a determination of noncompliance made by a funding agency. These amounts are also recorded as public support. Any amounts due to the Hospital for these funds and programs are included in other receivables in the consolidated balance sheets.

The Hospital derives a significant portion of its revenue from third-party payors and federal and state funding programs. The receipt of future revenues by the Hospital is subject to among other factors, federal and state policies affecting the health care industry, economic conditions that may include an inability to control expenses in periods of inflation, increased competition, market pressures on premium rates and other conditions, which are impossible to predict.

Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; employee health, dental, and accident benefits. Except for health and dental benefits, commercial insurance coverage is purchased for claims arising from such matters and settled claims have not exceeded this commercial coverage in any of the three preceding years. The Hospital is self-insured for health and dental claims. Amounts are expensed as incurred and estimated accruals are made for incurred but not yet reported claims as of each consolidated balance sheet date.

Federal or State Income Taxes

The Hospital is a governmental instrumentality organized under Title 16, Article 12, of the Indiana statutes. The Hospital is generally exempt from federal income tax under Section 115 of the Internal Revenue Code of 1986 as a not-for-profit organization under Section 501(c)(3). As a governmental entity, the Hospital is not required to file Federal Form 990 – Return of Organization Exempt from Income Tax, which is an informational return only.

GOOD SAMARITAN HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

The Foundation and PSI are organized as not-for-profit corporations under Section 501(c)(3) and 509(a)(3), respectively, of the United States Internal Revenue Code. As such, the Foundation and PSI are generally exempt from income taxes. However, the Foundation and PSI are required to file Federal Form 990 – Return of Organization Exempt from Income Tax, which is an informational return only. The Foundation and PSI have filed their federal and state income tax returns for periods through December 31, 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).

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Hospital, Foundation, and PSI and recognize a tax liability if these organizations 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 these organizations, and has concluded that as of December 31, 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 Foundation and PSI are subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Advertising

The Hospital expenses advertising costs as they are incurred. Advertising expenses for 2019 and 2018 were approximately \$778,000 and \$916,000, respectively, and are included in other expenses within the consolidated statements of revenues, expenses and changes in net position within the consolidated financial statements.

Litigation

The Hospital is involved in litigation 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 and cash flows.

Reclassifications

Certain amounts from 2018 have been reclassified in order to conform to the 2019 presentation. The reclassifications had no impact on total net position or change in net position for 2018, as previously reported.

Subsequent Events

The Hospital evaluates 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 are available to be issued, which is May 19, 2020.

GOOD SAMARITAN HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

Recently Issued Accounting Standards

In November 2016, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 83, *Certain Asset Retirement Obligations*, which establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for certain asset retirement obligations. An asset retirement obligation is a legally enforceable liability associated with the retirement of a tangible capital 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. 83, *Certain Asset Retirement Obligations*, by one year. GASB Statement No. 83 will be effective for periods beginning after June 15, 2019.

In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of governmental entities. The focus of the criteria generally is on (1) whether a government entity is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the consolidated financial statements. As a result, pension and other postemployment benefit plans (both defined contribution plans and defined benefit plans) should now be reported within the statement of fiduciary net position and statement of changes in fiduciary net position of the governmental entity. 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. 84, *Fiduciary Activities*, by one year. GASB Statement No. 84 will be effective for periods beginning after December 15, 2019.

In June 2017, the 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.

In March 2018, the GASB issued GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. 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. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, by one year. GASB Statement No. 88 will be effective for periods beginning after June 15, 2019.

GOOD SAMARITAN HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

In June 2018, the GASB issued 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 not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. 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. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, by one year. GASB Statement No. 89 will be effective for periods beginning after December 15, 2020.

In May 2019, the GASB issued GASB Statement No. 91, *Conduit Debt Obligations*, which clarifies the financial reporting and enhances the supporting disclosures for conduit debt obligations and related commitments in the financial statements of issuers. 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. 91, *Conduit Debt Obligations*, by one year. GASB Statement No. 91 will be effective for periods beginning after December 15, 2021.

The Hospital is presently evaluating the impact of these standards on its future consolidated financial statements.

2. 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 Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution. Net realized gains and losses on security transactions are determined on the specific identification cost basis. Investments consist of cash equivalents, money market mutual funds, municipal bonds, mutual funds, and exchange traded funds.

GOOD SAMARITAN HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

The Hospital's investments generally are reported at fair value, as discussed in Note 1. As of December 31, 2019 and 2018, 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, 2019					
Carrying Amount	Investment Maturities (in years)				
	Less than 1	1-5	6-10	More than 10	
Money market mutual funds	\$ 1,053,901	\$ 1,053,901	\$ -0-	\$ -0-	\$ -0-
Municipal bonds	256,183	256,183	-0-	-0-	-0-
Mutual funds	31,623,639	31,623,639	-0-	-0-	-0-
Exchange traded funds	4,357,536	4,357,536	-0-	-0-	-0-
Certificates of deposit	4,266,768	4,105,926	160,842	-0-	-0-
\$ 41,558,027	\$ 41,397,185	\$ 160,842	\$ -0-	\$ -0-	\$ -0-

December 31, 2018					
Carrying Amount	Investment Maturities (in years)				
	Less than 1	1-5	6-10	More than 10	
Money market mutual funds	\$ 698,748	\$ 698,748	\$ -0-	\$ -0-	\$ -0-
Municipal bonds	255,763	255,763	-0-	-0-	-0-
Mutual funds	25,112,679	25,112,679	-0-	-0-	-0-
Exchange traded funds	5,388,725	5,388,725	-0-	-0-	-0-
Certificates of deposit	261,556	103,698	157,858	-0-	-0-
\$ 31,717,471	\$ 31,559,613	\$ 157,858	\$ -0-	\$ -0-	\$ -0-

Interest rate risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, the Hospital's investment policy provides guidance to invest approximately 65% of its investment portfolio in fixed income securities. The money market mutual funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

Credit risk – The Hospital's policy provides guidance to invest in fixed income investments in U.S. Government bonds, bank certificates of deposits, and U.S. Treasury bonds among other government agencies. Such investments are to be insured by the U.S. Government or covered by applicable Federal and State Insurance programs.

Concentration of credit risk – The Hospital places no limit on the amount it may invest in any one issuer. The Hospital maintains its investments, which at times may exceed federally insured limits. The Hospital has not experienced any losses in such accounts. The Hospital believes that it is not exposed to any significant credit risk on investments.

GOOD SAMARITAN HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

Deposits and investments consist of the following as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Carrying value		
Deposits	\$ 52,874,113	\$ 43,875,759
Investments	41,558,027	31,717,471
	<u>\$ 94,432,140</u>	<u>\$ 75,593,230</u>
Included in the balance sheet		
Cash and cash equivalents	\$ 25,719,502	\$ 24,574,020
Investments	63,224,412	45,520,570
Restricted cash	5,488,226	5,498,640
	<u>\$ 94,432,140</u>	<u>\$ 75,593,230</u>

Investment return for 2019 and 2018 is summarized as follows:

	<u>2019</u>	<u>2018</u>
Unrealized gains (losses)	\$ 4,821,362	\$ (2,770,675)
Realized gains	205,998	240,021
Interest and dividends	1,796,925	1,647,977
	<u>\$ 6,824,285</u>	<u>\$ (882,677)</u>

3. FAIR VALUE MEASUREMENTS

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of December 31, 2019 and 2018:

- *Money market mutual funds:* Generally transact 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 the securities held in the fund.
- *Municipal bonds:* Valued using pricing models maximizing the use of observable inputs for similar securities.
- *Mutual funds and exchange traded funds:* Valued at the daily closing price as reported by the fund. Mutual funds and exchange traded funds held by the Hospital are open-end 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 and exchange traded funds held by the Hospital are deemed to be actively traded.

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2019 and 2018 are as follows:

GOOD SAMARITAN HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

	December 31, 2019			
	Total	Level 1	Level 2	Level 3
Assets				
Investments				
Money market mutual funds	\$ 1,053,901	\$ -0-	\$ 1,053,901	\$ -0-
Municipal bonds	256,183	-0-	256,183	-0-
Mutual funds				
Large blend	10,286,890	10,286,890	-0-	-0-
Large growth	3,704,677	3,704,677	-0-	-0-
Diversified emerging markets	1,212,874	1,212,874	-0-	-0-
Mid-cap blend	743,789	743,789	-0-	-0-
Small blend	759,500	759,500	-0-	-0-
Small value	818,601	818,601	-0-	-0-
Intermediate-term bond	11,258,955	11,258,955	-0-	-0-
Inflation-protected bond	2,838,353	2,838,353	-0-	-0-
Total mutual funds	31,623,639	31,623,639	-0-	-0-
Exchange traded funds				
Large blend	1,674,970	1,674,970	-0-	-0-
Large value	2,682,566	2,682,566	-0-	-0-
Total exchange traded funds	4,357,536	4,357,536	-0-	-0-
	37,291,259	\$ 35,981,175	\$ 1,310,084	\$ -0-
Certificates of deposit	4,266,768			
Money market deposit accounts	20,166,385			
Cash	1,500,000			
	<u>\$ 63,224,412</u>			
	December 31, 2018			
	Total	Level 1	Level 2	Level 3
Assets				
Investments				
Money market mutual funds	\$ 698,748	\$ -0-	\$ 698,748	\$ -0-
Municipal bonds	255,763	-0-	255,763	-0-
Mutual funds				
Large blend	5,021,624	5,021,624	-0-	-0-
Large growth	1,843,014	1,843,014	-0-	-0-
Large value	2,833,950	2,833,950	-0-	-0-
Medium growth	1,193,956	1,193,956	-0-	-0-
Small value	1,043,179	1,043,179	-0-	-0-
Intermediate-term bond	10,492,146	10,492,146	-0-	-0-
Inflation-protected bond	2,684,810	2,684,810	-0-	-0-
Total mutual funds	25,112,679	25,112,679	-0-	-0-
Exchange traded funds				
Large blend	2,330,107	2,330,107	-0-	-0-
Large value	3,058,618	3,058,618	-0-	-0-
Total exchange traded funds	5,388,725	5,388,725	-0-	-0-
	31,455,915	\$ 30,501,404	\$ 954,511	\$ -0-
Certificates of deposit	261,556			
Money market deposit accounts	13,503,099			
Cash	300,000			
	<u>\$ 45,520,570</u>			

GOOD SAMARITAN HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

The Hospital's policy is to recognize transfers between levels as of the actual date of the event or change in circumstances. There were no significant transfers between levels during 2019 and 2018.

Realized gains and losses included in earnings are reported in the consolidated statements of revenues, expenses and changes in net position as a component of investment return. Differences between market value and cost of investments are classified as unrealized gains or losses. Unrealized gains or losses are included in earnings for the period attributable to the change in unrealized gains relating to assets held as of December 31, 2019 and 2018 and are reported in the consolidated statements of revenues, expenses and changes in net position as a component of investment return.

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.

GOOD SAMARITAN HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

4. ACCOUNTS RECEIVABLE AND PAYABLE

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

	2019	2018
Patient accounts receivable		
From patients and insurance carriers	\$ 40,557,217	\$ 43,777,886
From Medicare	33,399,387	41,014,698
From Medicaid	13,777,536	13,352,209
	87,734,140	98,144,793
Less contractual allowances	(44,113,677)	(51,264,533)
Less allowances for uncollectible accounts	(5,453,182)	(6,255,895)
Patient accounts receivable, net	\$ 38,167,281	\$ 40,624,365
Accounts payable and accrued wages		
To employees (including payroll taxes)	\$ 11,693,058	\$ 11,705,192
To suppliers	9,772,516	7,381,643
For accrued employee health benefit claims	1,871,553	1,825,551
Total accounts payable and accrued wages	\$ 23,337,127	\$ 20,912,386

5. CAPITAL ASSETS

A summary of capital assets as of December 31, 2019 and 2018, follows:

	12/31/18	Additions	Retirements	Transfers	12/31/19
Land	\$ 6,781,448	\$ -0-	\$ (200,000)	\$ -0-	\$ 6,581,448
Land improvements	10,676,928	13,697	(81,343)	-0-	10,609,282
Buildings and improvements	161,900,759	1,690,796	-0-	1,077,199	164,668,754
Equipment	220,625,070	6,273,599	(3,945,283)	1,655,573	224,608,959
Construction in progress	865,423	2,837,558	-0-	(2,732,772)	970,209
Total capital assets	400,849,628	10,815,650	(4,226,626)	-0-	407,438,652
Less accumulated depreciation					
Land improvements	(5,989,744)	(468,864)	47,671	-0-	(6,410,937)
Buildings and improvements	(66,349,557)	(5,906,356)	-0-	-0-	(72,255,913)
Equipment	(137,723,009)	(13,448,765)	3,885,284	-0-	(147,286,490)
Total accumulated depreciation	(210,062,310)	(19,823,985)	3,932,955	-0-	(225,953,340)
	\$ 190,787,318	\$ (9,008,335)	\$ (293,671)	\$ -0-	\$ 181,485,312

GOOD SAMARITAN HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

	12/31/17	Additions	Retirements	Transfers	12/31/18
Land	\$ 6,912,648	\$ -0-	\$ (131,200)	\$ -0-	\$ 6,781,448
Land improvements	10,608,071	41,777	-0-	27,080	10,676,928
Buildings and improvements	161,460,880	242,410	-0-	197,469	161,900,759
Equipment	216,109,666	6,798,355	(3,652,608)	1,369,657	220,625,070
Construction in progress	2,459,629	-0-	-0-	(1,594,206)	865,423
Total capital assets	397,550,894	7,082,542	(3,783,808)	-0-	400,849,628
Less accumulated depreciation:					
Land improvements	(5,388,124)	(601,620)	-0-	-0-	(5,989,744)
Buildings and improvements	(60,361,722)	(5,987,835)	-0-	-0-	(66,349,557)
Equipment	(127,081,212)	(14,278,131)	3,636,334	-0-	(137,723,009)
Total accumulated depreciation	(192,831,058)	(20,867,586)	3,636,334	-0-	(210,062,310)
	<u>\$ 204,719,836</u>	<u>\$ (13,785,044)</u>	<u>\$ (147,474)</u>	<u>\$ -0-</u>	<u>\$ 190,787,318</u>

The Hospital had approximately \$3,230,000 of outstanding property and equipment commitments as of December 31, 2019.

6. LONG-TERM DEBT

In 2012, the Hospital issued Indiana Economic Development Revenue and Refunding Bonds, Series 2012A in the amount of \$67,185,000. The Series 2012A Bonds mature serially on a semi-annual basis on (April 1 and October 1) through April 2042 at fixed interest rates ranging from 2.5% to 5.0%.

In 2012, the Hospital issued Indiana Taxable Economic Development Revenue Bonds, Series 2012B in the amount of \$16,210,000. The Series 2012B Bonds bear interest at a fixed rate of 5.9% through April 2034 with the first principal payment due in February 2029. The Series 2012B Bonds were issued as Qualified Energy Conservation Bonds, which are eligible for interest subsidy payments from the United States Treasury.

Subsidy payments to be received on the Series 2012B Bonds are as follows:

Year Ending December 31,	
2020	\$ 492,805
2021	492,805
2022	492,805
2023	492,805
2024	492,805
2025-2029	2,464,025
2030-2034	1,253,435
	<u>\$ 6,181,485</u>

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In 2016, the Hospital borrowed from the Indiana Finance Authority, the Health Facility Revenue Bonds, Series 2016A Bonds for \$38,510,000. The Series 2016A Bonds mature on an annual basis through 2046 at fixed interest rates ranging from 4.0% to 5.5%. The Hospital is required to make annual deposits to the debt service fund held by the trustee, which are included as restricted cash in the consolidated balance sheets.

A summary of long-term activity for 2019 and 2018 is as follows:

	12/31/18	Additions	Payments	12/31/19	Current Portion
Indiana Economic Development					
Revenue and Refunding Bonds Series 2012A	\$ 58,550,000	\$ -0-	\$ 1,625,000	\$ 56,925,000	\$ 1,690,000
Revenue Bonds Series 2012B	15,675,000	-0-	-0-	15,675,000	-0-
Indiana Finance Authority					
Health Facilities Revenue Bonds Series 2016A	35,940,000	-0-	590,000	35,350,000	610,000
Other	1,053,795	493,471	437,030	1,110,236	486,498
	<u>111,218,795</u>	<u>\$ 493,471</u>	<u>\$ 2,652,030</u>	109,060,236	<u>\$ 2,786,498</u>
Unamortized bond premiums and discounts	3,333,098			3,196,233	
	<u>\$ 114,551,893</u>			<u>\$ 112,256,469</u>	
	12/31/17	Additions	Payments	12/31/18	Current Portion
Indiana Taxable Economic Development					
Revenue and Refunding Bonds Series 2012A	\$ 60,115,000	\$ -0-	\$ 1,565,000	\$ 58,550,000	\$ 1,625,000
Revenue Bonds Series 2012B	15,675,000	-0-	-0-	15,675,000	-0-
Indiana Finance Authority					
Health Facilities Revenue Bonds Series 2016A	36,505,000	-0-	565,000	35,940,000	590,000
Other	372,929	1,048,795	367,929	1,053,795	352,666
	<u>112,667,929</u>	<u>\$ 1,048,795</u>	<u>\$ 2,497,929</u>	111,218,795	<u>\$ 2,567,666</u>
Unamortized bond premiums and discounts	3,469,962			3,333,098	
	<u>\$ 116,137,891</u>			<u>\$ 114,551,893</u>	

The Series 2012A, 2012B, and 2016A Bonds are covered under a Master Trust Indenture and are secured by an interest in the net revenues, accounts receivable, and assets restricted under the bond indenture agreement of the Hospital. The Hospital is also required to meet certain financial covenants. The Hospital believes it is in compliance with all covenants as of December 31, 2019 and 2018.

GOOD SAMARITAN HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

Scheduled principal repayments on long-term debt are as follows:

Year Ending December 31,	Principal	Interest	Total
2020	\$ 2,786,498	\$ 5,711,303	\$ 8,497,801
2021	2,876,941	5,573,138	8,450,079
2022	2,693,116	5,436,839	8,129,955
2023	2,688,681	5,304,006	7,992,687
2024	2,815,000	5,164,140	7,979,140
2025-2029	16,520,000	23,449,520	39,969,520
2030-2034	20,970,000	18,283,300	39,253,300
2035-2039	28,180,000	11,661,900	39,841,900
2040-2044	24,870,000	4,101,300	28,971,300
2045-2046	4,660,000	387,750	5,047,750
	<u>\$ 109,060,236</u>	<u>\$ 85,073,196</u>	<u>\$ 194,133,432</u>

7. NET PATIENT SERVICE REVENUE

Patient service revenue for 2019 and 2018 consists of the following:

	2019	2018
Inpatient services	\$ 219,631,561	\$ 223,298,269
Outpatient services	459,635,923	456,915,596
Long-term care	115,964,200	112,003,425
Gross patient service revenue	795,231,684	792,217,290
Contractual allowances	430,782,531	439,617,430
Provision for bad debts	20,275,610	22,469,507
Charity care	11,701,143	13,318,462
Deductions from revenue	462,759,284	475,405,399
Net patient service revenue	\$ 332,472,400	\$ 316,811,891

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

GOOD SAMARITAN HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

Medicare

Payments for inpatient acute care services are made based upon the patient's diagnosis, irrespective of cost. The diagnosis upon which payment is based is subject to review by Medicare representatives. Outpatient claims are reimbursed under Ambulatory Payment Classifications, which are based on the procedures performed and are subject to review by the program. Medicare reimbursements are subject to audit by Medicare. Provisions have been made for the estimated effect of review and audits by the program.

Medicaid and Hospital Assessment Fee and Healthy Indiana Plan Programs

The Hospital is reimbursed for Medicaid inpatient services under a prospectively determined rate-per-discharge and for Medicaid outpatient services on a predetermined fee schedule. The differences between standard charges and reimbursement from these programs are recorded as contractual adjustments.

The Hospital participates in the State of Indiana's Hospital Assessment Fee (HAF) Program. The purpose of the HAF Program is to fund the State share of enhanced Medicaid payments and Medicaid Disproportionate Share (DSH) payments for Indiana hospitals as reflected in the HAF and HIP program fees reported in the consolidated statements of revenues, expenses and changes in net position. Previously, the State share was funded by governmental entities through intergovernmental transfers. The Medicaid enhanced payments relate to both fee for service and managed care claims. The Medicaid enhanced payments are designed to follow the patients and result in increased Medicaid rates. Beginning July 1, 2017, hospitals also started funding the Healthy Indiana Plan (HIP) Program, 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 fees of approximately \$11,839,000 and \$9,775,000, respectively, which resulted in increased Medicaid reimbursement. The HAF and HIP program fees are included in the consolidated statements of revenues, expenses and changes in net position as operating expenses. The Medicaid rate increases under the HAF and HIP Programs are included in patient service revenue in the consolidated statements revenues, expenses and changes in net position.

As a governmental entity, the Hospital is also eligible for the Indiana Medicaid Supplemental programs including Medicaid DSH and Municipal Upper Payment Limit programs. The Hospital recognized reimbursement from these programs within net patient service revenue of approximately \$3,502,000 during 2019 and 2018. These programs are administered by the State of Indiana, but rely on federal funding.

Other

Payment agreements with certain commercial insurance carriers and other payors provide for payment using prospectively determined daily rates and discounts from established charges.

GOOD SAMARITAN HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. The Hospital believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigation involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretations, as well as significant regulatory action including fines, penalties, and exclusions from the Medicare and Medicaid programs. As a result, there is at least a possibility that recorded estimates will change by a material amount in the near term.

8. PENSION PLANS

The Hospital has two defined contribution pension plans, 401(a) and 403(b), as authorized by Indiana Code (IC) 16-22-3-11. These plans provide retirement, disability and death benefits to plan members and beneficiaries. The plans were established by a written agreement by the Board of Trustees. Empower Retirement, a subsidiary of Great West Life & Annuity Insurance Company, is the third party administrator as well as the custodian of these plans' assets.

The Good Samaritan Hospital Employee Pension Plan (the 401(a) plan) covers substantially all employees that were eligible prior to the date the 401(a) plan was frozen. Effective January 1, 2017, the 401(a) plan was frozen to new participants and effective January 1, 2018, no additional contributions were required to be made to the 401(a) plan. Pension expense was recorded for the amount of the Hospital's required contributions, determined in accordance with the terms of the 401(a) plan. The 401(a) plan is administered by a board appointed by the Hospital. Benefit provisions are contained in the plan document and were established and can be amended by action of the Hospital's Board of Governors.

The Good Samaritan Hospital Employee Retirement Savings Plan (the 403(b) plan) covers substantially all employees. Effective January 1, 2018, the 403(b) plan was amended to provide discretionary matching contributions from the Hospital for all employees hired after January 1, 2017. The Hospital's expense related to the 403(b) plan in 2019 and 2018 was approximately \$4,283,000 and \$4,107,000, respectively.

9. EMPLOYEE HEALTH PLAN

The Hospital participates in a self-funded health plan covering substantially all employees. Covered services include medical benefits. The plan has annual reinsurance coverage starting at a specific level of \$225,000 per individual with an unlimited specific lifetime maximum reimbursement per covered person and no aggregate limit. The consolidated financial statements include an estimated provision for claims that have been incurred but not reported. Total health claims expense was approximately \$13,847,000 and \$14,526,000 for 2019 and 2018, respectively.

GOOD SAMARITAN HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

10. MALPRACTICE INSURANCE

Malpractice insurance coverage is provided under a claims-made policy. Should the claims-made policy be terminated, the Hospital has the option to purchase insurance for claims having occurred during its term but reported subsequently. The Indiana Medical Malpractice Act, IC 34-18 (the Act) provides a maximum recovery of \$1,650,000 for an occurrence of malpractice until June 30, 2019, and \$1,800,000 thereafter. The Act required the Hospital to maintain medical malpractice liability insurance in the amount of at least \$400,000 per occurrence and \$12,000,000 in the annual aggregate until June 30, 2019. Starting July 1, 2019, the Act requires the Hospital to maintain medical malpractice liability insurance in the amount of at least \$500,000 per occurrence and \$15,000,000 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.

11. CONCENTRATIONS OF CREDIT RISK

The Hospital grants credit without collateral to its patients, who are primarily local residents and are insured under third-party payor agreements. The mix of receivables and gross patient service revenues from patients and third-party payors for 2019 and 2018 was as follows:

	Receivables		Revenues	
	2019	2018	2019	2018
Medicare	41%	46%	54%	54%
Medicaid	15%	14%	14%	13%
Other commercial	36%	32%	29%	29%
Self pay	8%	8%	3%	4%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

12. COMMITMENTS AND CONTINGENCIES

In March 2015, the Hospital entered into an agreement with Deaconess Hospital, Inc. to implement a new Hospital-wide information system. Terms of this agreement provide for annual maintenance costs to approximate \$1,461,000 to \$1,693,000 annually for the seven-year term.

GOOD SAMARITAN HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

13. OPERATING LEASES

The Hospital leases certain facilities and equipment under operating leases expiring at various times through 2044. Total expense for these operating leases was approximately \$1,586,000 and \$1,331,000 in 2019 and 2018, respectively. The following is a schedule of future lease payments:

Year Ending December 31,	
2020	\$ 1,206,605
2021	519,733
2022	305,671
2023	233,444
2024	111,536
Thereafter	298,802
	<u>\$ 2,675,791</u>

Rent expense for facilities and equipment under the long-term care leases discussed in Note 1 was approximately \$12,442,000 and \$10,604,000 for 2019 and 2018, respectively. Annual rent expense through 2021 is scheduled to approximate \$12,000,000 under these leases.

14. SUBSEQUENT EVENTS

On March 11, 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 consolidated financial statements were available to be issued.

15. BLENDED COMPONENT UNITS

The Hospital's consolidated financial statements include the accounts of its blended component units, the Foundation and PSI. Separate financial statements related to the individual component units may be obtained by contacting Hospital management. The following is a summary of the financial activity of the Foundation and PSI as of and for the years ended December 31, 2019 and 2018.

GOOD SAMARITAN HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

	2019		2018	
	Foundation	PSI	Foundation	PSI
Assets				
Cash	\$ 479,813	\$ 1	\$ 675,696	\$ -0-
Investments	4,199,331	-0-	3,663,123	-0-
Patient accounts receivable, net	-0-	2,207,669	-0-	2,313,576
Other receivables	15,767	-0-	11,626	96,036
Capital assets, net	-0-	-0-	-0-	-0-
Total assets	\$ 4,694,911	\$ 2,207,670	\$ 4,350,445	\$ 2,409,612
Liabilities				
Accounts payable and accrued expenses	\$ (134)	\$ 546,018	\$ 299	\$ 1,464,390
Accrued wages and related liabilities	347	97,547	372	104,046
Estimated third-party settlements	-0-	29,730	-0-	-0-
Total liabilities	213	673,295	671	1,568,436
Net position	4,694,698	1,534,375	4,349,774	834,511
Total liabilities and net position	\$ 4,694,911	\$ 2,207,670	\$ 4,350,445	\$ 2,402,947
Operating revenues				
Net patient service revenue	\$ -0-	\$ 31,016,685	\$ -0-	\$ 31,913,594
Federal, state, and county grant revenue	-0-	2,378	-0-	-0-
Other revenue	-0-	1,475,506	-0-	829,550
Total operating revenues	-0-	32,494,569	-0-	32,743,144
Operating expenses				
Salaries and wages	-0-	33,321,232	-0-	32,868,928
Employee benefits	-0-	7,460,734	-0-	7,062,668
Physician fees	-0-	8,215,514	-0-	12,212,694
Professional fees and purchased services	-0-	1,158,615	-0-	797,207
Medical supplies and drugs	-0-	2,158,759	-0-	2,194,132
Other supplies	-0-	601,915	-0-	726,187
Utilities	-0-	190,962	-0-	191,969
Rent and leases	-0-	1,136,896	-0-	191,969
Depreciation	-0-	-0-	332	-0-
Other	-0-	923,381	-0-	778,464
Total operating expenses	-0-	55,168,008	332	57,024,218
Operating loss	-0-	(22,673,439)	(332)	(24,281,074)
Non-operating revenues (expenses)				
Investment return	558,820	36,047	(130,611)	19,898
Other nonoperating	(445,065)	9,066	(380,282)	13,522
Intercompany transfers	231,169	23,328,190	189,577	24,076,958
Total nonoperating revenues (expenses)	344,924	23,373,303	(321,316)	24,110,378
Change in net position	344,924	699,864	(321,648)	(170,696)
Net position, beginning of year	4,349,774	834,511	4,671,422	1,983,130
Net position, end of year	\$ 4,694,698	\$ 1,534,375	\$ 4,349,774	\$ 1,812,434
Cash flows from activities				
Operating	\$ 226,570	\$ 1,091,784	\$ 186,238	\$ 1,136,471
Capital and related financing	-0-	-0-	(1)	-0-
Investing	(422,453)	45,113	440,333	33,420
Net change in cash	(195,883)	1,136,897	626,570	1,169,891
Cash, beginning of year	675,696	1,169,892	49,126	1
Cash, end of year	\$ 479,813	\$ 2,306,789	\$ 675,696	\$ 1,169,892