

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana

Auditor's Report and Financial Statements

December 31, 2020 and 2019

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
December 31, 2020 and 2019

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Independent Auditor's Report

Board of Trustees
Columbus Regional Hospital
Columbus, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of Columbus Regional Hospital (Hospital), a component unit of Bartholomew County, Indiana, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Columbus Regional Hospital, as of December 31, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we also have issued our report dated April 28, 2021, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

BKD, LLP

Indianapolis, Indiana
April 28, 2021

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Management's Discussion and Analysis
December 31, 2020
(Unaudited)

Introduction

This management's discussion and analysis of the financial performance of Columbus Regional Hospital (Hospital) provides an overview of the Hospital's financial activities for the years ended December 31, 2020 and 2019. It should be read in conjunction with the accompanying financial statements of the Hospital. Unless otherwise indicated, amounts are in millions.

Financial Highlights

- Cash and investments increased by \$93.9 million (48.4 percent) in 2020 and decreased by \$2.3 million (1.2 percent) in 2019.
- The Hospital's net position increased in 2020 by \$37.0 million (10.7 percent) and increased in 2019 by \$18.9 million (5.7 percent).
- The Hospital reported operating losses in both 2020 (\$11.4 million) and 2019 (\$3.7 million). The operating loss in 2020 worsened by \$7.7 million as compared to the operating loss from 2019. The operating loss in 2019 improved by \$0.3 million as compared to the operating loss (of \$4.0 million) reported in 2018.
- Net nonoperating activity increased by \$20.2 million in 2020 compared to 2019. Net nonoperating activity in 2019 increased by \$30.8 million compared to 2018.

Using This Annual Report

The Hospital's 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. The Hospital's financial statements provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The Hospital is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

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

One of the most important questions asked about any Hospital's finances is "Is the Hospital as a whole better or worse off as a result of the year's activities?" 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, all liabilities and all deferred inflows and outflows of resources using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

The Statement of Cash Flows

The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as “where did cash come from” and “what was cash used for” and “what was the change in cash and cash equivalents during the reporting period.”

Selected Financial Data and Statistics

See below for selected financial data and statistics for 2020, 2019 and 2018.

Selected Financial Data and Statistics (Dollars in Thousands)

	2020	2019	2018
Summary of Operations			
Revenues	\$ 444,107	\$ 457,634	\$ 439,484
Salaries and benefits	166,216	169,338	160,836
Supplies and drugs	63,941	66,163	61,034
Purchased services and other operating expenses	200,736	201,664	199,070
Depreciation	24,654	24,196	22,522
Total expenses	<u>455,547</u>	<u>461,361</u>	<u>443,462</u>
Operating loss	(11,440)	(3,727)	(3,978)
Nonoperating COVID-19 grant revenue	<u>18,429</u>	<u>-</u>	<u>-</u>
Income (loss) before other nonoperating income (expense)	6,989	(3,727)	(3,978)
Nonoperating income (expense), net	24,396	22,585	(8,201)
Capital contributions from related party	<u>5,650</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	<u>\$ 37,035</u>	<u>\$ 18,858</u>	<u>\$ (12,179)</u>
Cash Flow Data			
Cash provided by operating activities	\$ 67,255	\$ 7,833	\$ 20,749
Cash provided by (used in) noncapital activities	16,564	(1,783)	(1,901)
Cash used in capital and related financing activities	(18,004)	(38,136)	(47,533)
Cash provided by investing activities	704	28,795	17,113

Selected Financial Data and Statistics
(Dollars in Thousands)

	2020	2019	2018
Financial Position			
Patient accounts receivable, net	\$ 50,632	\$ 54,641	\$ 46,655
Other current assets	120,989	58,584	59,359
Capital assets, net	172,217	175,209	157,510
Other noncurrent assets and deferred outflows of resources	197,565	175,797	191,674
Total assets and deferred outflows of resources	<u>\$ 541,403</u>	<u>\$ 464,231</u>	<u>\$ 455,198</u>
Long-term debt, including current portion	\$ 42,670	\$ 49,450	\$ 55,875
Other liabilities	114,416	67,499	70,897
Total liabilities	<u>\$ 157,086</u>	<u>\$ 116,948</u>	<u>\$ 126,772</u>
Unrestricted net position	\$ 254,770	\$ 221,524	\$ 226,791
Net investment in capital assets	129,547	125,759	101,635
Total net position	<u>\$ 384,317</u>	<u>\$ 347,283</u>	<u>\$ 328,426</u>
Days cash on hand	239.3	157.4	165.9
Hospital Operating Data			
Number of beds (available for use)	263	181	235
Inpatient discharges	8,766	8,940	9,507
Average daily census	93	89	97
Average length of stay	3.9	3.6	3.7
Occupancy	35%	52%	41%
Inpatient case mix	1.5461	1.5167	1.4839
Outpatient visits	239,074	252,407	252,735

The Hospital's Net Position

The Hospital's net position is the difference between its assets, liabilities and deferred inflows and outflows of resources reported in the Balance Sheet.

A significant change in the Hospital's assets in 2020 is the increase in cash and investments. While the Hospital's net patient service revenue decreased by 2.9% and the Hospital recognized an operating loss of \$11.4 million in 2020, cash and investments increased by \$93.9 million, bringing days cash on hand to 239 days. The increase is primarily the result of the Hospital receiving approximately \$55.7 million in governmental funding related to the COVID-19 pandemic, including Provider Relief Funds, Medicare Accelerated and Advance Payments, and various funding from other sources. Additionally, the Hospital saw strong investment returns (\$27.8 million) and was able to effectively manage its operating expenses, as those expenses decreased by \$5.8 million year-over-year.

Another significant change in the Hospital's financial position in 2020 is the increase in other accrued liabilities, both current and noncurrent, which increased from \$25.3 million in 2019 to \$69.9 million in 2020. The majority of this increase results from the aforementioned Medicare Accelerated and Advance Payments (\$37.5 million), as these dollars served as cash advances only and will be recouped by Medicare beginning in April 2021 and through September 2022. The Hospital also elected to defer certain payroll taxes, totaling \$4.7 million, under a provision of law enacted during the pandemic. The deferred payroll taxes will be paid in two equal installments, with the first half due by December 31, 2021 and the second half due by December 31, 2022.

Operating Results and Changes in the Hospital's Net Position

As previously mentioned, the Hospital's net position increased in 2020 by \$37.0 million (10.7 percent) and increased in 2019 by \$18.9 million (5.7 percent). Operating results are discussed below.

The Hospital was formed and is operated primarily to serve residents of Bartholomew County and the surrounding area. The first component of the overall change in the Hospital's net position is its operating income or loss—generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. The Hospital reported operating losses of \$11.4 million and \$3.7 million in 2020 and 2019, respectively.

The primary components of the Hospital's operating results are:

- Net patient service revenue, which saw a year-over-year decrease of \$12.9 million (2.9 percent).
- Salaries, wages, and benefits, which saw a year-over year decrease of \$3.1 million (1.8 percent).
- Supplies expense, which saw a year-over-year decrease of \$2.2 million (3.4 percent).
- Hospital assessment fee, which was highly stable year-over-year, as the total fee decreased by \$0.1 million (0.5 percent).

The changes in net patient service revenue, salaries, wages, and benefits expense, and supplies expense mentioned above are primarily attributable to the COVID-19 pandemic. Through an executive order on March 16, 2020, the State of Indiana instituted a ban on elective procedures, which remained in effect until April 27, 2020. During this six-week period, volumes declined, most significantly for outpatient services, which had a negative impact on patient revenue. Refer to the below tables, which display the number of patients served by the Hospital over the past three years, as well as the approximate percentages of gross patient revenues by payor for the Hospital (excluding CRHP and other blended component units).

Year	Inpatients	Outpatients	Total
2020	8,766	239,074	247,840
2019	8,940	252,407	261,347
2018	9,507	252,735	262,242

Payor	2020	2019	2018
Medicare	50.8%	50.5%	49.3%
Medicaid	15.9%	14.2%	15.4%
Managed care plans	27.5%	28.6%	28.9%
Other	5.8%	6.7%	6.4%

The decrease in patient volumes had a corresponding negative effect on salaries, wages and benefits, as manhours and productivity declined. Further, other expenses, including supplies, were closely and effectively managed by the Hospital given the level of uncertainty associated with the COVID-19 outbreak.

Nonoperating Income and Expenses

For reporting purposes in 2020, nonoperating income and expenses are presented in two separate components: (1) COVID-19 grant revenue and (2) all other nonoperating income and expenses.

In response to the COVID-19 pandemic, the Hospital recognized as grant revenue the following:

- Provider Relief Funds of \$17.9 million
- Federal Emergency Management Agency (FEMA) funding of \$0.5 million
- Indiana Department of Workforce Development Next Level Jobs Grant, which is federally funded through the Coronavirus Relief Fund, of \$0.1 million

Within all other nonoperating income and expenses, the Hospital recognized strong investment returns once again in 2020, with a yearly total of \$27.8 million, a slight improvement from the \$26.0 million of investment returns in 2019. This was largely attributable to market forces, as the overall market experienced tremendous growth after steep declines in March 2020. The combination of interest expense, contribution expense and all other nonoperating expenses remained steady between years, with \$3.4 million of expense for both 2020 and 2019.

The Hospital's Cash Flows

Changes in the Hospital's cash flows are generally consistent with changes in operating income and nonoperating activity. However, despite operating losses in the two most recent years, cash flows from operating activities have remained strong, at \$67.3 million in 2020 and \$7.8 million in 2019. Operating cash flows for 2020 are driven higher stemming from the \$37.5 million of Medicare Accelerated and Advance Payments previously mentioned. In terms of investment activities, cash generated decreased in 2020, from \$28.8 million in 2019 to \$0.7 million in 2020, as the Hospital's purchases of investments in 2020 approximate proceeds received from interest, dividends and sales of investments. During 2019 and 2018, the Hospital spent a considerable amount of cash on capital and related financing activities, with negative cash flows numbers of \$38.1 million (2019) and \$47.5 million (2018). The largest contributing factor to capital cash flow numbers for 2019 and 2018 was the outlay of funds for the EPIC project. During 2020, capital spending was curtailed by the Hospital, including the halting of any ongoing capital projects of significance, and as such, net cash used in capital and related financing activities is \$18.0 million. On the noncapital financing side, the Hospital experienced a significant increase, entirely related to COVID-19 grant funding. For 2020, net cash provided by noncapital financing activities is \$16.6 million and for 2019, net cash used in noncapital financial activities was \$1.8 million.

Capital Assets

At the end of 2020, the Hospital had \$172 million invested in capital assets, net of accumulated depreciation, as detailed in Note 10 to the financial statements. In 2020, the Hospital purchased new property and equipment costing \$9.9 million, primarily for additional equipment. As of December 31, 2020, projects still in progress total \$6.4 million, as certain projects were halted due to the pandemic.

In addition, in September 2020, the Hospital was gifted and transferred \$12.2 million of property from a related party through a formal conveyance and transfer of deed. Further details are included in Note 21 to the financial statements.

Debt

At December 31, 2020, the Hospital had \$42.7 million in revenue bonds outstanding, financed through the Indiana Health Facility Financing Authority Bonds Series 2014. These revenue bonds are subject to limitations imposed by state law. Over the past three years, there have been no changes in the Hospital's debt ratings, and the Hospital has issued no new debt.

Other Economic Factors

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 as a global pandemic. For healthcare providers, patient volumes and related revenues were affected by COVID-19 as various policies were implemented by federal, state and local governments in response to the pandemic that led many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective procedures by health care facilities. While some of these policies have been eased and states have lifted moratoriums on non-emergent procedures, some restrictions remain in place. There is still considerable uncertainty around the duration and ultimate financial impacts of the COVID-19 pandemic. The Hospital continues to monitor the direct and indirect impacts of the pandemic and develop responses accordingly to maintain its operational and financial flexibility.

Aside from COVID-19, the healthcare industry continues to be challenged with ongoing healthcare reform and how it will impact the overall care delivery model for hospitals, physicians and other healthcare providers. Uncertainty with the fate of programs such as the Affordable Care Act requires healthcare organizations to remain vigilant and flexible. The Hospital continues to work toward operating in the most efficient manner possible to help mitigate rising costs. The Hospital collaborates with its physician practices (CRHP) to further incorporate patient-centered care and pay-for-performance practices that entail provider-recognition models for exemplary patient service and satisfaction.

Contacting the Hospital's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Hospital Chief Financial Officer's Office at 2400 East 17th Street, Columbus, Indiana, 47201.

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana

Balance Sheets
December 31, 2020 and 2019

Assets and Deferred Outflows of Resources

	2020	2019
Current Assets		
Cash and cash equivalents	\$ 98,229,624	\$ 31,711,624
Patient accounts receivable, less allowance for uncollectible accounts (\$8,200,000 in 2020 and \$9,400,000 in 2019)	50,631,872	54,641,353
Other receivables	9,453,705	9,166,080
Inventories	5,504,372	5,639,599
Prepaid expenses	7,801,920	8,771,191
Notes receivable, related party - current portion	-	3,294,994
Total current assets	171,621,493	113,224,841
Noncurrent Cash and Investments		
Internally designated	185,118,809	157,719,205
Deferred compensation investments	4,792,304	4,771,518
Total noncurrent cash and investments	189,911,113	162,490,723
Capital Assets, Net	172,217,434	175,208,672
Other Assets		
Notes receivable, related party	-	3,304,676
Joint venture investments, notes receivable, and other	7,233,285	9,332,068
Total other assets	7,233,285	12,636,744
Total assets	540,983,325	463,560,980
Deferred Outflows of Resources	420,759	669,550
Total assets and deferred outflows of resources	\$ 541,404,084	\$ 464,230,530

Liabilities and Net Position

	<u>2020</u>	<u>2019</u>
Current Liabilities		
Accounts payable	\$ 19,423,431	\$ 18,740,375
Salaries, wages and related liabilities	18,127,347	16,424,504
Estimated third-party payor settlements	1,904,134	1,869,190
Other accrued liabilities	46,965,396	25,318,276
Current portion of long-term debt	<u>7,185,000</u>	<u>6,780,000</u>
Total current liabilities	<u>93,605,308</u>	<u>69,132,345</u>
Noncurrent Liabilities		
Other accrued liabilities	22,930,930	-
Deferred compensation liability	4,792,304	4,771,518
Fair value of interest rate swap agreements	272,955	373,942
Long-term obligations	<u>35,485,000</u>	<u>42,670,000</u>
Total noncurrent liabilities	<u>63,481,189</u>	<u>47,815,460</u>
Total liabilities	<u>157,086,497</u>	<u>116,947,805</u>
Net Position		
Unrestricted	254,770,153	221,524,053
Net investment in capital assets	<u>129,547,434</u>	<u>125,758,672</u>
Total net position	<u>384,317,587</u>	<u>347,282,725</u>
Total liabilities and net position	<u>\$ 541,404,084</u>	<u>\$ 464,230,530</u>

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2020 and 2019

	2020	2019
Operating Revenue		
Net patient service revenue, net of provision for uncollectible accounts of \$7,107,595 in 2020 and \$13,120,708 in 2019	\$ 436,987,335	\$ 449,927,558
Other operating revenue	7,120,003	7,706,041
Total operating revenue	444,107,338	457,633,599
Operating Expenses		
Salaries and wages	133,590,291	135,215,228
Employee benefits	32,625,822	34,123,020
Fees	18,992,133	18,060,581
Supplies	63,940,859	66,162,997
Purchased services	155,829,862	157,273,116
Depreciation	24,653,724	24,196,493
Insurance	4,836,495	4,868,528
Hospital assessment fee	15,031,174	15,106,397
Other	6,046,922	6,354,755
Total operating expenses	455,547,282	461,361,115
Operating Loss	(11,439,944)	(3,727,516)
Nonoperating COVID-19 Grant Revenue	18,428,821	-
Income (Loss) Before Other Nonoperating Income (Expense)	6,988,877	(3,727,516)
Other Nonoperating Income (Expense)		
Investment return	27,821,305	26,008,691
Interest expense	(1,344,430)	(2,118,575)
Contributions to related organizations, net	(535,321)	(339,652)
Other nonoperating expense	(1,545,599)	(965,078)
Total nonoperating income (expense)	24,395,955	22,585,386
Capital Contributions from Related Party	5,650,030	-
Increase in Net Position	37,034,862	18,857,870
Net Position, Beginning of Year	347,282,725	328,424,855
Net Position, End of Year	\$ 384,317,587	\$ 347,282,725

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Operating Activities		
Cash received from patients and third-party payors	\$ 478,741,521	\$ 438,418,065
Cash payments to employees for services	(156,047,017)	(168,353,065)
Cash payments to suppliers for goods and services	(262,724,427)	(269,930,038)
Other operating cash received	7,285,214	7,698,366
Net cash provided by operating activities	67,255,291	7,833,328
Noncapital Financing Activities		
Cash received from COVID-19 grants	18,174,080	-
Contributions to related parties	(535,321)	(845,431)
Cash payments for other nonoperating items	(1,075,193)	(938,063)
Net cash provided by (used in) noncapital financing activities	16,563,566	(1,783,494)
Capital and Related Financing Activities		
Principal paid on long-term debt	(6,780,000)	(6,425,000)
Interest paid on long-term debt	(1,196,626)	(1,969,966)
Acquisition and construction of capital assets	(10,027,870)	(29,741,283)
Net cash used in capital and related financing activities	(18,004,496)	(38,136,249)
Investing Activities		
Interest and dividend income	11,692,056	13,147,359
Purchases of investments	(21,291,141)	(43,099,903)
Disbursements for notes receivable	(354,933)	(800,308)
Collections of notes receivable	657,657	3,810,751
Sales of investments	10,000,000	55,736,700
Net cash provided by investing activities	703,639	28,794,599
Net Increase (Decrease) in Cash and Cash Equivalents	66,518,000	(3,291,816)
Cash and Cash Equivalents at Beginning of Year	31,711,624	35,003,440
Cash and Cash Equivalents at End of Year	\$ 98,229,624	\$ 31,711,624

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Statements of Cash Flows (Continued)
Years Ended December 31, 2020 and 2019

	2020	2019
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating loss	\$ (11,439,944)	\$ (3,727,516)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation	24,653,724	24,196,493
Provision for uncollectible accounts	7,107,595	13,120,708
Change in assets and liabilities		
Patient accounts receivable and estimated third-party settlements	(3,063,170)	(24,630,201)
Other assets	3,065,768	(2,762,650)
Accounts payable and accrued liabilities	46,931,318	1,636,494
Net cash provided by operating activities	<u>\$ 67,255,291</u>	<u>\$ 7,833,328</u>
Additional Cash Flows Information		
Net decrease in property and equipment acquired through accounts payable	\$ (165,464)	\$ (2,179,104)
Property and equipment transferred from related party	12,249,700	14,360,000
Notes receivable from related party cancelled	6,599,670	13,854,221

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Notes to Financial Statements
December 31, 2020 and 2019

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

Columbus Regional Hospital (Hospital) is an acute care hospital located in Columbus, Indiana. The Hospital is a component unit of Bartholomew County (County) and the Board of County Commissioners appoints members to the Board of Trustees of the Hospital pursuant to the provisions of Indiana Code 16-22-2-2. The Hospital primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in Bartholomew County and surrounding areas.

The Hospital also operates eight long-term care facilities through various lease agreements and management agreements. These facilities provide inpatient and therapy services throughout their respective geographic areas and support the Hospital's mission to provide quality care and services to the facilities' residents. The facilities are managed by third parties under various management agreements. The revenues from operations are the property of the Hospital and the Hospital is responsible for the associated expenses and working capital requirements.

The Hospital is the party to several joint venture activities, which are generally accounted for under the equity method, and are more fully described later in the notes to financial statements.

The financial statements include the accounts of Columbus Regional Health Physicians, LLC (CRHP); Columbus Area Radiology, LLC (dba Columbus Diagnostic Imaging, or CDI); and Columbus Regional Health System Services, LLC (CRHSS). The primary government appoints a voting majority of these entities' boards of directors and a financial benefit/burden relationship exists between the Hospital and these entities. Although legally separate from the boards, these entities are reported as if they were a part of the Hospital, because they provide services entirely, or almost entirely, to the Hospital. Separate financial statements are not issued for these entities.

Basis of Accounting and Presentation

The financial statements of the Hospital have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place. Grant revenue from nonexchange transactions, investment income, interest on capital assets-related debt, and contributions to and from related organizations, including contributions of capital assets, are excluded from operating revenues and expenses.

Columbus Regional Hospital
A Component Unit of Bartholomew County, Indiana
Notes to Financial Statements
December 31, 2020 and 2019

Use of Estimates

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

Cash Equivalents

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2020 and 2019, cash equivalents consisted primarily of money market accounts with banks.

Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. The Hospital insures itself from general liability and medical malpractice liability through participation in a reciprocal risk retention group. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The Hospital is self-insured for a portion of its exposure to risk of loss from medical malpractice, employee health and workers compensation claims. Annual estimated provisions are accrued for the self-insured portion of the self-insured claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

Investments and Investment Income

For joint venture activities in which the Hospital's ownership percentage is 20% or more, the investment is recorded in accordance with the equity method of accounting. For joint ventures in which the Hospital's ownership percentage is less than 20%, the cost method is used. All other investments are carried at fair value. Fair value is determined using quoted market prices.

Investment income includes dividend and interest income, realized gains and losses on investments, and the net change for the year in the fair value of investments carried at fair value.

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Patient Accounts Receivable

The Hospital reports patient accounts receivable for services rendered at net realizable amounts from third-party payors, patients and others. The Hospital provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Inventories

Supply inventories are stated at the lower of cost, determined using the first-in, first-out (FIFO) method or market.

Deferred Compensation Investments

Investments related to a deferred compensation plan, which was available to certain highly compensated employees of CRHP prior to 2016, are carried at fair value. The investments are held by CRHP on behalf of the employees and are recorded as both an asset and a liability on the balance sheets.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Leasehold improvements are depreciated over the shorter of the lease term or their estimated useful lives. The following estimated useful lives are being used by the Hospital:

Land improvements	10 - 15 years
Buildings and leasehold improvements	15 - 40 years
Equipment	3 - 10 years

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 balance sheets but are not recognized in the financial statements as expenses until the periods to which they relate. Deferred outflows of resources of the Hospital consist of deferred losses on debt refundings (defeasance costs) and interest rate swap agreements.

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Losses incurred in connection with the refunding of various long-term debt are deferred and amortized over the shorter of the term of the respective original debt or the term of the new debt using the straight-line method.

The composition of deferred outflows of resources was as follows at December 31:

	2020	2019
Deferred losses on debt refundings	\$ 147,804	\$ 295,608
Fair value of interest rate swap agreements	272,955	373,942
Total deferred outflows of resources	\$ 420,759	\$ 669,550

Compensated Absences

Hospital policies permit most employees to accumulate vacation that may be realized as paid time off (PTO) or, in limited circumstances, as a cash payment. Employees earn 24 to 39 PTO days upon attaining specified years of employment. Part-time employees earn PTO hours on a pro rata basis on the specified years of employment. PTO days can be used for vacation, illness or bereavement.

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. Compensated absence liabilities are computed using the regular pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Interest Rate Swap Agreements

The Hospital uses interest rate swap agreements to manage financial risks related to interest rate movements and the effects on its cash flows. The Hospital is accounting for the interest rate swap agreements as hedging instruments. As a result, the agreements are recorded at fair value in the balance sheets. The net cash payments or receipts under the interest rate swap agreements are recorded as an increase or decrease to interest expense.

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Net Position

Net position of the Hospital is classified in two components. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Unrestricted net position is remaining assets, less remaining liabilities, that do not meet the definition of investment in capital assets, if any.

When both restricted and unrestricted resources are available for use, it is the Hospital's policy to use restricted resources first and then unrestricted resources as they are needed.

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. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

Charity Care

The Hospital provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

Income Taxes

As an essential government function of the County, the Hospital is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. In addition, the Hospital and CRHP are exempt from taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the Hospital and CRHP are subject to federal income tax on any unrelated business taxable income. CDI and CRHSS, which are limited liability companies, are not directly subject to income taxes under the provisions of the Internal Revenue Code and applicable state laws. Taxable income or loss is allocated to their members in accordance with their respective percentage ownership for inclusion in their respective tax returns.

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Grants and Contributions

From time to time, the Hospital receives certain federal and state 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.

Long-Term Care Nursing Facilities

The Hospital owns nursing home operations through the execution of licensing agreements, management agreements and lease agreements with various third parties. The nature of the agreements provides the Hospital the rights to all operating assets, government provider numbers and real estate. In connection with these agreements, the Hospital simultaneously entered into management agreements with a third party to execute the operations of the nursing homes. The agreements have cancellation clauses, without cause, given appropriate notice. As the Hospital is a non-state government-owned hospital, it is entitled to certain special Medicaid payments, which are reflected in the balance sheets and statements of revenues, expenses and changes in net position.

Change in Accounting Principles – Fiduciary Activities

For the year ended December 31, 2020, the Hospital adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Adoption of this Statement had no effect on the financial statements.

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Notes to Financial Statements December 31, 2020 and 2019

Note 2: Blended Component Units

The financial statements include the Hospital, as well as the blended component unit accounts of Columbus Regional Health Physicians, LLC (CRHP), Columbus Diagnostic Imaging (CDI), and Columbus Regional Health System Services (CRHSS), as discussed in Note 1.

The following is a financial summary of the Hospital and the component units as of December 31, 2020:

	2020					
	Hospital	CRHP	CRHSS	CDI	Eliminations	Total
Total current assets	\$ 151,335,640	\$ 19,746,934	\$ 360,600	\$ 901,491	\$ (723,172)	\$ 171,621,493
Total noncurrent cash and investments	185,118,809	4,792,304	-	-	-	189,911,113
Capital assets, net	135,437,304	7,329,185	28,564,766	886,179	-	172,217,434
Total other assets	7,233,285	-	-	-	-	7,233,285
Deferred outflows of resources	420,759	-	-	-	-	420,759
	<u>\$ 479,545,797</u>	<u>\$ 31,868,423</u>	<u>\$ 28,925,366</u>	<u>\$ 1,787,670</u>	<u>\$ (723,172)</u>	<u>\$ 541,404,084</u>
Total assets and deferred outflows of resources						
Total current liabilities	\$ 83,045,883	\$ 10,851,872	\$ 97,190	\$ 333,535	\$ (723,172)	\$ 93,605,308
Total noncurrent liabilities	57,704,222	5,776,967	-	-	-	63,481,189
Net position - unrestricted	246,028,388	7,910,399	263,410	567,956	-	254,770,153
Net position - net investment in capital assets	92,767,304	7,329,185	28,564,766	886,179	-	129,547,434
	<u>\$ 479,545,797</u>	<u>\$ 31,868,423</u>	<u>\$ 28,925,366</u>	<u>\$ 1,787,670</u>	<u>\$ (723,172)</u>	<u>\$ 541,404,084</u>
Total liabilities and net position						
Operating revenue	\$ 405,017,408	\$ 41,969,110	\$ 537,094	\$ 2,250,312	\$ (5,666,586)	\$ 444,107,338
Depreciation	(23,440,112)	(703,433)	(151,298)	(358,881)	-	(24,653,724)
Other operating expenses	(355,753,728)	(78,282,885)	(289,701)	(2,233,830)	5,666,586	(430,893,558)
Operating income (loss)	25,823,568	(37,017,208)	96,095	(342,399)	-	(11,439,944)
Nonoperating COVID-19 grant revenue	17,619,087	782,553	-	27,181	-	18,428,821
Income (loss) before other nonoperating income (expenses)	43,442,655	(36,234,655)	96,095	(315,218)	-	6,988,877
Nonoperating income (expense)	24,761,440	(343,086)	(2,359)	(20,040)	-	24,395,955
Capital contributions from related party	-	-	5,650,030	-	-	5,650,030
Equity transfers	(51,040,418)	44,182,234	6,803,020	55,164	-	-
Change in net position	17,163,677	7,604,493	12,546,786	(280,094)	-	37,034,862
Net position, beginning of year	321,632,015	7,635,091	16,281,390	1,734,229	-	347,282,725
Net position, end of year	<u>\$ 338,795,692</u>	<u>\$ 15,239,584</u>	<u>\$ 28,828,176</u>	<u>\$ 1,454,135</u>	<u>\$ -</u>	<u>\$ 384,317,587</u>
	2020					
	Hospital	CRHP	CRHSS	CDI	Eliminations	Total
Net cash provided by (used in) operating activities	\$ 96,044,262	\$ (29,439,073)	\$ 467,301	\$ 182,801	\$ -	\$ 67,255,291
Net cash provided by noncapital financing activities	16,096,918	439,467	-	27,181	-	16,563,566
Net cash used in capital and related financing activities	(15,536,444)	(1,899,408)	(506,912)	(61,732)	-	(18,004,496)
Net cash provided by (used in) investing activities	(43,478,595)	44,182,234	-	-	-	703,639
Net increase (decrease) in cash and cash equivalents	53,126,141	13,283,220	(39,611)	148,250	-	66,518,000
Cash and cash equivalents at beginning of year	29,735,894	1,226,356	318,314	431,060	-	31,711,624
Cash and cash equivalents at end of year	<u>\$ 82,862,035</u>	<u>\$ 14,509,576</u>	<u>\$ 278,703</u>	<u>\$ 579,310</u>	<u>\$ -</u>	<u>\$ 98,229,624</u>

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The following is a financial summary of the Hospital and the component units as of December 31, 2019:

	2019					
	Hospital	CRHP	CRHSS	CDI	Eliminations	Total
Total current assets	\$ 102,780,701	\$ 9,946,915	\$ 322,239	\$ 806,595	\$ (631,609)	\$ 113,224,841
Total noncurrent cash and investments	157,719,205	4,771,518	-	-	-	162,490,723
Capital assets, net	151,932,681	6,133,210	15,959,453	1,183,328	-	175,208,672
Total other assets	12,636,744	-	-	-	-	12,636,744
Deferred outflows of resources	669,550	-	-	-	-	669,550
Total assets and deferred outflows of resources	\$ 425,738,881	\$ 20,851,643	\$ 16,281,692	\$ 1,989,923	\$ (631,609)	\$ 464,230,530
Total current liabilities	\$ 61,062,924	\$ 8,445,034	\$ 302	\$ 255,694	\$ (631,609)	\$ 69,132,345
Total other liabilities	43,043,942	4,771,518	-	-	-	47,815,460
Net position - unrestricted	219,149,334	1,501,881	321,937	550,901	-	221,524,053
Net position - net investment in capital assets	102,482,681	6,133,210	15,959,453	1,183,328	-	125,758,672
Total liabilities and net position	\$ 425,738,881	\$ 20,851,643	\$ 16,281,692	\$ 1,989,923	\$ (631,609)	\$ 464,230,530
Operating revenue	\$ 413,973,846	\$ 46,000,726	\$ 15,793	\$ 2,348,190	\$ (4,704,956)	\$ 457,633,599
Depreciation	(23,114,037)	(736,917)	(4,398)	(341,141)	-	(24,196,493)
Other operating expenses	(357,693,220)	(81,550,913)	(28,997)	(2,596,448)	4,704,956	(437,164,622)
Operating income (loss)	33,166,589	(36,287,104)	(17,602)	(589,399)	-	(3,727,516)
Nonoperating income (expense)	22,265,656	(164,854)	504,771	(20,187)	-	22,585,386
Equity transfers	(54,749,607)	38,408,463	15,794,221	546,923	-	-
Change in net position	682,638	1,956,505	16,281,390	(62,663)	-	18,857,870
Net position, beginning of year	320,949,377	5,678,586	-	1,796,892	-	328,424,855
Net position, end of year	\$ 321,632,015	\$ 7,635,091	\$ 16,281,390	\$ 1,734,229	\$ -	\$ 347,282,725

	2019					
	Hospital	CRHP	CRHSS	CDI	Eliminations	Total
Net cash provided by (used in) operating activities	\$ 43,778,634	\$ (36,250,449)	\$ -	\$ 305,143	\$ -	\$ 7,833,328
Net cash used in noncapital financing activities	(1,618,844)	(164,650)	-	-	-	(1,783,494)
Net cash provided by (used in) capital and related financing activities	(36,100,460)	(2,257,034)	318,314	(97,069)	-	(38,136,249)
Net cash provided by (used in) investing activities	(9,613,864)	38,408,463	-	-	-	28,794,599
Net increase (decrease) in cash and cash equivalents	(3,554,534)	(263,670)	318,314	208,074	-	(3,291,816)
Cash and cash equivalents at beginning of year	33,290,428	1,490,026	-	222,986	-	35,003,440
Cash and cash equivalents at end of year	\$ 29,735,894	\$ 1,226,356	\$ 318,314	\$ 431,060	\$ -	\$ 31,711,624

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Note 3: 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. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

A summary of payment arrangements includes:

Medicare. Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Certain inpatient nonacute services are paid based on a cost reimbursement methodology. The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary.

Medicaid. Inpatient and outpatient services rendered to the Medicaid program beneficiaries are paid at prospectively determined rates. These rates vary according to the service provided and the patient diagnosis.

Medicaid Disproportionate Share Hospital (DSH) Revenue. The Hospital qualifies as a Medicaid DSH provider under Indiana Law (HEA 1095, Public Law 27-1992) and, as such, is eligible to receive certain supplemental Medicaid payments. The amounts of these supplemental Medicaid payments are dependent on regulatory approval by agencies of the federal and state governments and is determined by level, extent and cost of uncompensated care (as defined) and various other factors. Supplemental Medicaid payments under this program have been made by the state of Indiana, and the Hospital records such amounts as revenue when reasonably determined that the funds will be received. The Hospital recognized approximately \$7.2 million and \$7.3 million of net patient service revenue related to the supplemental Medicaid payment program for the years ended December 31, 2020 and 2019, respectively.

The Hospital participates in a state specific provider assessment program to increase Medicaid payments to hospitals. The Hospital incurred approximately \$15.0 million and \$15.1 million of fees related to the program in 2020 and 2019, respectively, which is recorded as an operating expense. The provider assessment fee program is subject to retroactive rate setting by the state of Indiana and its Medicaid program and the amounts expensed represent the current fees that have been assessed to the Hospital. There is no assurance this program will continue in the future.

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Approximately 56% and 52% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2020 and 2019, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The long-term care operations of the Hospital qualify for supplemental Medicaid payments through the Upper Payment Limit (UPL) program. The UPL is established to pay qualifying providers the difference between what Medicare would have paid and what Medicaid actually paid. The UPL is distributed through an intergovernmental transfer (IGT) arrangement. The Hospital is responsible for funding the IGT for the long-term care operations. Revenue associated with the UPL program is recorded net of IGT payments made to the program and are included in net patient service revenue. The Hospital recognized approximately \$19.7 million and \$17.3 million related to this supplemental payment program for the years ended December 31, 2020 and 2019, respectively.

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.

Net patient revenue for 2020 decreased by approximately \$1.4 million due to changes in and the removal of previously estimated amounts. Net patient revenue for 2019 decreased by approximately \$1.7 million due to changes in and the removal of previously estimated amounts.

Details of gross patient charges and contractual allowances are as follows:

	2020	2019
Gross patient charges		
Inpatients	\$ 287,753,342	\$ 276,094,177
Long-term care	109,790,404	114,756,483
Outpatients	522,181,184	559,719,399
Total	919,724,930	950,570,059
Charity care charges foregone	(15,007,039)	(15,172,508)
Provision for bad debt	(7,107,595)	(13,120,708)
Contractual allowances	(460,622,961)	(472,349,285)
Net patient service revenue	\$ 436,987,335	\$ 449,927,558

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Note 4: Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as revenue. The Hospital maintains records to identify and monitor the level of charity care it provides, as well as the amount of charges foregone for services and supplies furnished under its charity care policy. During the years ended December 31, 2020 and 2019, charges excluded from revenue under its charity policy were \$15.0 million and \$19.5 million, respectively. The estimated net cost of the charity care services provided, calculated using a cost to charge ratio methodology was \$7.4 million for 2020 and \$9.3 million for 2019.

Note 5: COVID-19 Pandemic, CARES Act Funding and Other Funding

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 as a global pandemic. Patient volumes and the related revenues were affected by COVID-19 as various policies were implemented by federal, state and local governments in response to the pandemic that led many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective procedures by health care facilities.

While some of these policies have been eased and states have lifted moratoriums on non-emergent procedures, some restrictions remain in place, and some state and local governments are re-imposing certain restrictions due to increasing rates of COVID-19 cases. The Hospital will continue to monitor the direct and indirect impacts of the pandemic and develop responses accordingly to maintain its operational and financial flexibility.

The Hospital experienced temporary negative impacts to its operational results during 2020. There is considerable uncertainty around the duration and financial impact of the market disruption by the COVID-19 pandemic in future periods and cannot be reasonably estimated at this time due to many factors, most of which are beyond the Hospital's control and ability to forecast. Such factors include, but are not limited to, the scope and duration of stay-at-home practices and business closures and restrictions, government-imposed or recommended suspensions of elective procedures, increases in the number of uninsured and underinsured patients as a result of higher sustained rates of unemployment, incremental expenses required for supplies and personal protective equipment, and changes in professional and general liability exposure. Because of these and other uncertainties, decreases in cash flows and operations could result, impacting debt covenant compliance and the inputs and assumptions used in significant accounting estimates, including the allowance for uncollectible accounts related to patient accounts receivable, and potential impairments of long-lived and other assets.

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Provider Relief Funds

During the year ended December 31, 2020, the Hospital received \$18,074,080 of distributions from the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) Provider Relief Fund (the Provider Relief Fund). These distributions from the Provider Relief Fund are not subject to repayment, provided the Hospital is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses and lost revenue attributable to COVID-19, as defined by the Department of Health and Human Services (HHS).

The Hospital accounts for such payments as voluntary nonexchange transactions in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Payments are recognized as grant revenue once the applicable terms and conditions required to retain the funds have been substantially met. Revenue recognized is classified as nonoperating and the associated cash flows are included within noncapital financing activities. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the Hospital's revenues and expenses through December 31, 2020, the Hospital recognized \$17,875,985 related to the distributions from the Provider Relief Fund as nonoperating COVID-19 grant revenue within the accompanying statements of revenues, expenses and changes in net position. The remaining unrecognized amount of distributions from the Provider Relief Fund of \$198,095 has been deferred and is included within the current portion of other accrued liabilities on the accompanying balance sheets.

The Hospital will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the Hospital's revenues and expenses. The terms and conditions governing the Provider Relief Fund are complex and subject to interpretation and change. If the Hospital is unable to attest to or comply with current or future terms and conditions, its ability to retain some or all of the distributions received may be affected. Provider Relief Fund payments are subject to government oversight, including potential audits.

Medicare Advance Payments

As part of the CARES Act legislation, the Centers for Medicare & Medicaid Services (CMS) expanded the existing Accelerated and Advance Payments Program to a broad group of Medicare Part A providers as a means to provide additional cash flow at the onset of the COVID-19 pandemic in March 2020. The Hospital met the eligibility criteria and was approved for advance payments, receiving \$37,514,603 in April 2020. Under the terms of the program, the Hospital may repay the funding at any time. Otherwise, repayment will begin one year from the date the advance payment was issued (April 2021 for the Hospital); beginning then and for the next 11 months, the advance payments will be recouped at a rate of 25% of any Medicare payments owed to the Hospital; beginning with month 12, the recoupment rate increases to 50% for advance payments outstanding, with a lump-sum due for any remaining balance at the conclusion of month 17.

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Medicare Advance Payments (Continued)

Medicare advance payments are recorded within other accrued liabilities on the balance sheets. Based on historical Medicare claims volumes, management believes \$16,952,865 of the funds will be recouped by December 31, 2021, and are thus included as current liabilities.

Deferred Employer Payroll Taxes

As part of the CARES Act legislation, organizations are eligible to defer payment of the employer's share of Social Security payroll taxes owed on wages paid for the year ended December 31, 2020. These deferred tax payments are due in two installments: 50 % due by December 31, 2021 and 50% due by December 31, 2022. Therefore, the Hospital has deferred taxes of \$4,738,384, with \$2,369,192 included in current liabilities (salaries, wages and related liabilities) and \$2,369,192 included in noncurrent liabilities (other accrued liabilities).

Hospital Add-On and Sequestration Removal

As part of the CARES Act legislation, certain factors under the Medicare payment program associated with COVID-19 patients were changed, resulting in a 20 percent increase in payments for services associated with these patients. This hospital add-on led to approximately \$600,000 in additional revenue for the Hospital, which is included within net patient service revenue on the 2020 statement of revenues, expenses and changes in net position.

Also, as part of the CARES Act legislation, effective May 1, 2020 through December 31, 2020, a temporary removal of the two percent sequestration adjustment on Medicare fee-for-service claims was enacted, resulting in an increase in Medicare payments. This sequestration freeze led to approximately \$900,000 in additional revenue for the Hospital, which is included within net patient service revenue on the 2020 statement of revenues, expenses and changes in net position.

Other COVID-19 Funding

The Hospital received funding and/or recognized into revenue the following related to COVID-19 from other sources:

- The Hospital has submitted and been approved for Federal Emergency Management Agency (FEMA) funding totaling \$452,836. This funding is not capital-specific and is recorded within nonoperating COVID-19 grant revenue on the 2020 statement of revenues, expenses and changes in net position. No payments were received prior to year-end, and the balance due the Hospital is included in other receivables on the 2020 balance sheet.
- The Hospital received \$100,000 in connection with an Indiana Department of Workforce Development Next Level Jobs Grant, which is federally funded through the Coronavirus Relief Fund (CRF). The Hospital recognized the full amount as nonoperating COVID-19 grant revenue within the 2020 statement of revenues, expenses and changes in net position.

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Other COVID-19 Funding (Continued)

- The Hospital received \$186,417 in connection with HHS funding for the COVID-19 Testing for the Uninsured program. The Hospital recognized the full amount within net patient service revenue on the 2020 statement of revenues, expenses and changes in net position, as this funding constitutes reimbursement for care or treatment provided by the Hospital.
- The nursing home operations owned by the Hospital were subject to Medicaid rate increases instituted in response to the COVID-19 pandemic. Additionally, certain “COVID ready” facilities received additional increases in Medicaid rates and per diems during portions of 2020. The nursing home operations recognized revenue of \$1.8 million related to these rate and payment increases. Further, the federal government’s response to COVID-19 temporarily reduced the non-federal share of Medicaid supplemental payments through the UPL program received by the Hospital associated with its nursing home operations, which increased supplemental payment revenue by \$1.7 million (see Note 3). All of this revenue is included within net patient service revenue on the 2020 statement of revenues, expenses and changes in net position, as this funding also constitutes reimbursement for care or treatment provided.

Note 6: Deposits, Investments and Investment Income

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government’s deposits may not be returned to it. The Hospital’s deposit policy for custodial credit risk requires compliance with the provisions of state law, in accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, paragraph 6.

Deposits with financial institutions in the State of Indiana at year-end were entirely insured by the Federal Depository Insurance Corporation (FDIC) or by the Indiana Public Deposit Insurance Fund (IPDIF). This includes any deposit accounts issued or offered by a qualifying financial institution. Accordingly, all deposits in excess of FDIC levels are covered by the IPDIF and are considered collateralized.

Investments

The Hospital may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and bank repurchase agreements. It may also invest in corporate bonds and equity securities.

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Notes to Financial Statements December 31, 2020 and 2019

At December 31, 2020 and 2019, the Hospital had the following investments, all of which mature within one year:

	2020	2019
Investments		
Mutual funds	\$ 189,911,113	\$ 162,479,535
Interest receivable	-	11,188
	\$ 189,911,113	\$ 162,490,723

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the Hospital's investment policy states an expected duration of investments between two and five years. The money market account and mutual funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

Credit Risk - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the Hospital's policy to limit its investments in money market funds with a rating of AAA or above by Standard & Poor's or Aaa or above by Moody's, with a maximum maturity of one year. At December 31, 2020 and 2019, the Hospital's investments in mutual funds were not rated by Standard & Poor's or Moody's. No investments are to be made by the Hospital in nonmarketable securities.

Concentration of Credit Risk - The Hospital establishes ranges by investment category to limit investment concentration. At December 31, 2020 and 2019, the Hospital's investment in mutual funds consisted of:

	2020	2019
Carillon Reams Core Plus Bond Fund	24%	26%
Metropolitan West T/R Bond Fund	23%	26%
Vanguard Institutional Index Fund	11%	12%
Touchstone Sands Capital	11%	9%
Other Funds	31%	27%
	100%	100%

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Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the balance sheets as follows:

	2020	2019
Carrying value		
Deposits	\$ 98,229,624	\$ 31,711,624
Investments	189,911,113	162,490,723
	\$ 288,140,737	\$ 194,202,347
 Included in the following balance sheets captions		
Cash and cash equivalents	\$ 98,229,624	\$ 31,711,624
Noncurrent cash and investments	189,911,113	162,490,723
	\$ 288,140,737	\$ 194,202,347

Investment Return

Investment return for the years ended December 31, 2020 and 2019 consisted of:

	2020	2019
Interest and dividend income	\$ 11,692,056	\$ 13,147,359
Net increase in fair value of investments	16,129,249	12,861,332
	\$ 27,821,305	\$ 26,008,691

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Note 7: Patient Accounts Receivable

The Hospital grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payor agreements. The mix of accounts receivable from patients and third-party payors at December 31, 2020 and 2019 was as follows:

	2020	2019
Medicare	37%	37%
Medicaid	12%	15%
Other third-party payors	42%	37%
Individual patients	9%	11%
	100%	100%

Note 8: Deferred Compensation Plan

Prior to 2016, CRHP maintained an IRS Code Section 457(B) plan for the benefit of certain highly compensated employees. The plan allowed for employee contributions only. The plan was dissolved on January 1, 2016, but the plan assets are still held by CRHP, separate from all other assets and reported within noncurrent cash and investments on the balance sheets.

The activity in the investments and liability of the deferred compensation plan were as follows for the years ended December 31:

	2020	2019
Deferred compensation investments, beginning of year	\$ 4,771,518	\$ 3,998,191
Investment gains	20,786	773,327
Deferred compensation investments, end of year	\$ 4,792,304	\$ 4,771,518

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Note 9: Investment in and Advances to Equity Investees

The Hospital participates as a joint owner in several companies. A listing of these companies, along with ownership percentages and net investment values as of December 31 are as follows:

Company Name - Description	2020 Ownership %	2020 Investment Amount	2019 Investment Amount
Brown County Medical Coop LLC - Medical Office Building	50.00%	\$ 343,785	\$ 360,000
St. Vincent Jennings Hospital, Inc. - Nonprofit Corporation	10.00%	450,000	450,000
RCG Columbus, LLC - Outpatient Renal Dialysis Services	12.25%	181,921	181,921
United Hospital Services, LLC - Laundry Services	4.35%	262,722	262,722
inSpire Health Partners, LLC - Integrated Network	N/A	-	409,529
Southern Indiana Health Organization, Inc. Tecumseh Health Reciprocal Risk Retention Group (formerly Indiana Healthcare)	33.33%	2,332,407	1,199,374
Fair Oaks Community Development Corporation	6.94%	335,311	335,311
	25.00%	<u>1,503,822</u>	<u>1,408,333</u>
Total		<u>\$ 5,409,968</u>	<u>\$ 4,607,190</u>

On January 1, 2020, the Hospital and the other 50% shareholder of inSpire Health Partners, LLC (inSpire) assigned their interests in inSpire to Southern Indiana Health Organization, Inc. (SIHO). No consideration was paid or received associated with the assignment. Given inSpire and SIHO each had a 50% ownership interest with the same third party 50% owner, the assignment did not result in a change in control of the respective assets, and therefore, the assignment did not have a material impact on reported financial statement values.

Effective May 8, 2020, SIHO issued additional shares to an unrelated third party, thereby establishing three equal owners. Effective with this transaction, the Hospital's ownership in SIHO is 33.33%.

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Note 10: Capital Assets

Capital assets activity for the years ended December 31, 2020 and 2019 was:

	Beginning Balance	2020			Ending Balance
		Additions	Disposals	Transfers	
Land	\$ 16,689,940	\$ -	\$ (30,802)	\$ 2,022,700	\$ 18,681,838
Land improvements	20,982,896	20,400	-	17,402	21,020,698
Buildings and leasehold improvements	227,004,524	1,116,688	(374,833)	11,305,810	239,052,189
Equipment	179,034,707	4,376,318	(5,659,333)	1,484,327	179,236,019
Construction in progress	4,599,939	4,349,000	-	(2,580,539)	6,368,400
	<u>448,312,006</u>	<u>9,862,406</u>	<u>(6,064,968)</u>	<u>12,249,700</u>	<u>464,359,144</u>
Less accumulated depreciation					
Land improvements	12,222,350	559,454	-	-	12,781,804
Buildings and leasehold improvements	149,311,414	8,844,695	(142,544)	-	158,013,565
Equipment	111,569,570	15,249,575	(5,472,804)	-	121,346,341
	<u>273,103,334</u>	<u>24,653,724</u>	<u>(5,615,348)</u>	<u>-</u>	<u>292,141,710</u>
	<u>\$ 175,208,672</u>	<u>\$ (14,791,318)</u>	<u>\$ (449,620)</u>	<u>\$ 12,249,700</u>	<u>\$ 172,217,434</u>
	Beginning Balance	2019			Ending Balance
		Additions	Disposals	Transfers	
Land	\$ 2,272,540	\$ 57,400	\$ -	\$ 14,360,000	\$ 16,689,940
Land improvements	20,873,669	109,227	-	-	20,982,896
Buildings and leasehold improvements	223,529,414	2,843,979	(28,601)	659,732	227,004,524
Equipment	146,848,238	19,880,484	(6,161,450)	18,467,435	179,034,707
Construction in progress	19,056,017	4,671,089	-	(19,127,167)	4,599,939
	<u>412,579,878</u>	<u>27,562,179</u>	<u>(6,190,051)</u>	<u>14,360,000</u>	<u>448,312,006</u>
Less accumulated depreciation					
Land improvements	11,644,553	577,797	-	-	12,222,350
Buildings and leasehold improvements	140,414,785	8,925,037	(28,408)	-	149,311,414
Equipment	103,010,539	14,693,659	(6,134,628)	-	111,569,570
	<u>255,069,877</u>	<u>24,196,493</u>	<u>(6,163,036)</u>	<u>-</u>	<u>273,103,334</u>
	<u>\$ 157,510,001</u>	<u>\$ 3,365,686</u>	<u>\$ (27,015)</u>	<u>\$ 14,360,000</u>	<u>\$ 175,208,672</u>

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Note 11: Medical Malpractice Claims

Malpractice insurance coverage is provided on a claims-made basis. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term but reported subsequently would be uninsured. However, the Indiana Malpractice Act (the Act) limits professional liability for claims prior to July 1, 2017 to a maximum recovery of \$1,250,000 per occurrence, \$250,000 of which would be paid through medical insurance coverage, while the remaining balance would be paid by the State of Indiana Patient Compensation Fund (the Fund). For claims incurred between July 1, 2017 and June 30, 2019, the maximum recovery is \$1,650,000 per occurrence, \$400,000 of which would be paid through insurance coverage, with the remainder due from the Fund. For claims incurred subsequent to June 30, 2019, the maximum recovery is \$1,800,000 per occurrence, \$500,000 of which would be paid through insurance coverage, with the remainder due from the Fund.

CRHP was provided insurance coverage through Innovative Physician Solutions (IPS), a risk retention group domiciled in Vermont. IPS provided medical malpractice insurance coverage for the physicians in Bartholomew County and the surrounding region. In May 2019, CRHP's coverage through IPS was dissolved. CRHP now maintains insurance coverage under the policy of the Hospital.

On January 1, 2017, Indiana Healthcare, a reciprocal risk retention group based out of Vermont providing captive insurance coverage, merged with Heartland Reciprocal Risk Retention Group, both being reciprocal interinsurance exchanges organized and licensed pursuant to Chapters 132 and 141 of Title 8 of the Vermont Statutes Annotated. Indiana Healthcare being the surviving insurer was renamed Tecumseh Reciprocal Risk Retention Group (Tecumseh). Columbus Regional Hospital's ownership share in Tecumseh is one-fourteenth, or approximately 7% (see Note 9).

Note 12: Self-Insured Claims

Substantially all of the Hospital's employees and their dependents are eligible to participate in the Hospital's employee health insurance plan. The Hospital is self-insured for health claims of participating employees and dependents up to an annual aggregate amount \$250,000 in 2020 and 2019. The Hospital is also self-insured for worker's compensation claims. Commercial stop-loss insurance coverage is purchased for health claims in excess of the aggregate annual amount. A provision is accrued for self-insured employee health and worker's compensation claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the Hospital's estimate will change by a material amount in the near term. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years.

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Activity in the Hospital's accrued employee health and worker's compensation claims liability, which is included in other accrued liabilities in the balance sheets, during 2020 and 2019 is summarized as follows:

	2020	2019
Balance, beginning of year	\$ 3,091,526	\$ 3,175,933
Current year claims incurred and changes in estimates for claims incurred in prior years	17,135,374	18,528,305
Claims and expenses paid	(17,226,089)	(18,612,712)
Balance, end of year	\$ 3,000,811	\$ 3,091,526

Note 13: Long-Term Obligations

The following is a summary of long-term obligation transactions for the Hospital for the years ended December 31, 2020 and 2019:

	2020				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Indiana Health Facility Financing Authority Bonds Series 2014	\$ 49,450,000	\$ -	\$ (6,780,000)	\$ 42,670,000	\$ 7,185,000

	2019				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Indiana Health Facility Financing Authority Bonds Series 2014	\$ 55,875,000	\$ -	\$ (6,425,000)	\$ 49,450,000	\$ 6,780,000

Revenue Bonds Payable

In December 2014, the Hospital issued its note to the Indiana Finance Authority securing the Indiana Finance Authority Hospital Revenue Bonds, Series 2014A and Series 2014B in the amount of \$74,205,000. The bonds were issued to refund the Indiana Finance Authority Variable Rate Demand Revenue Bonds, Series 2009A and Series 2009B, and provide additional funding for a new capital project. Annual principal payments are due serially through August 1, 2044. Interest rates vary with the London Interbank Offered Rate (LIBOR). At December 31, 2020, the rate was 1.12% for the Series 2014A and 0.96% for the Series 2014B. At December 31, 2019, the rate was 2.51% for the Series 2014A and 2.35% for the Series 2014B.

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The Series 2014 Bond issue requires the Hospital to maintain certain financial covenants similar to previous bond issues. In connection with refunding of the Series 2009 Bonds, the related loss on bond defeasance was deferred and is being amortized over the life of the Series 2014B bond issue.

The debt service requirements as of December 31, 2020, are as follows:

Years Ending December 31	Total to be Paid	Principal	Interest
2021	\$ 8,016,302	\$ 7,185,000	\$ 831,302
2022	1,948,359	1,220,000	728,359
2023	1,947,853	1,245,000	702,853
2024	1,943,741	1,265,000	678,741
2025	1,945,387	1,295,000	650,387
2026 - 2030	9,730,624	6,895,000	2,835,624
2031 - 2035	9,729,028	7,645,000	2,084,028
2036 - 2040	9,725,769	8,475,000	1,250,769
2041 - 2044	7,783,912	7,445,000	338,912
	<u>\$ 52,770,975</u>	<u>\$ 42,670,000</u>	<u>\$ 10,100,975</u>

Note 14: Line of Credit Agreement

The Hospital has an unsecured taxable line of credit providing up to \$10,000,000 of nonrevolving credit. This matured in January 2021 and was subsequently renewed for another year. As of December 31, 2020 and 2019, there were no borrowings against this line of credit.

Note 15: Interest Rate Swap Agreements

Objective of the Interest Rate Swap Agreements

The Hospital's asset/liability strategy is to have a mixture of fixed-rate and variable-rate debt to take advantage of market fluctuations. As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations and to lower its borrowing costs when compared against fixed-rate debt at the time of issuance, the Hospital entered into interest rate swap agreements for its bonds. The intention of the swaps is to effectively change the Hospital's variable interest rate on this note to a synthetic fixed rate.

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Terms

The agreements required no initial net cash receipt or payment by the Hospital. The agreements provide for the Hospital to receive interest from the counterparty at a variable rate based on the London Interbank Offering Rate (LIBOR) and to pay interest to the counterparty at a fixed rate on notional amounts as set forth in the tables below:

Notional Amount	Trade Date	Effective Date	Termination Date	Fixed Rate Hospital Pays	Variable Rate Hospital Receives	Fair Value at December 31, 2020
\$ 3,855,000	7/22/2003	8/13/2003	8/1/2022	3.335%	67% of LIBOR	\$ (139,141)
<u>4,325,000</u>	6/8/2005	6/22/2005	8/1/2022	3.313%	65.2% of LIBOR + .33%	<u>(133,814)</u>
<u>\$ 8,180,000</u>						<u>\$ (272,955)</u>

Notional Amount	Trade Date	Effective Date	Termination Date	Fixed Rate Hospital Pays	Variable Rate Hospital Receives	Fair Value at December 31, 2019
\$ 5,670,000	7/22/2003	8/13/2003	8/1/2022	3.335%	67% of LIBOR	\$ (190,718)
<u>6,365,000</u>	6/8/2005	6/22/2005	8/1/2022	3.313%	65.2% of LIBOR + .33%	<u>(183,224)</u>
<u>\$ 12,035,000</u>						<u>\$ (373,942)</u>

Under the agreements, the Hospital pays or receives the net interest amount every 35 days, with the monthly settlements included in interest expense.

Fair Value

The fair values of the agreements are based on estimated discounted future cash flows determined using the counterparty's proprietary models based upon financial principles and estimated relevant future market conditions. The fair values of the agreements are recognized in other liabilities in the Hospital's balance sheets. As the swaps are effective hedging instruments, the offsetting balance is reflected as deferred outflows of resources on the Hospital's balance sheets. The changes in fair value of the swap agreements of \$100,987 and \$107,427 for the years ended December 31, 2020 and 2019, respectively, are shown as an adjustment to the carrying amount of the related deferred outflows of resources on the balance sheets.

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Interest Rate Risk

The Hospital entered into the interest rate swap agreements as a means of limiting its exposure to fair value losses occurring from rising variable interest rates associated with various bonds. Beginning in 2004, the notional amount of the swap agreements declines by a corresponding amount each time a principal payment becomes due on the associated debt until the notional amounts for each agreement reach \$0 at the termination of the swap agreements. At December 31, 2020, the notional amount of the interest rate swap agreements will decline as follows:

Maturities in Years			
Less Than 1	1-5	6-10	More Than 10
\$ 4,025,000	\$ 4,155,000	\$ -	\$ -

Credit Risk

The fair value of each swap represents the Hospital's credit exposure to the counterparty as of December 31. Should the counterparties to these transactions fail to perform according to the terms of the swap agreements, the Hospital has a maximum possible loss equivalent to the fair value at that date. To mitigate the potential for credit risk, the swaps are insured by Assured Guaranty Corporation, which was rated A3 by Moody's Investors Service as of December 31, 2020 and 2019. The Hospital does not currently have a policy of requiring the counterparty to post collateral in the event the Hospital becomes exposed to credit risk. The Hospital does not currently have a policy requiring a master netting agreement with the counterparty and does not currently have such an agreement in place.

Basis Risk

The swaps expose the Hospital to basis risk should the relationship between LIBOR and the prime rate set by the Hospital's lender change in a manner adverse to the Hospital. If an adverse change occurs in the relationship between these rates, the expected cost savings may not be realized.

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Termination Risk

The Hospital or counterparty may terminate the swaps if the other party fails to perform under the terms of the contract. If the swaps were terminated, the variable-rate bonds would no longer have a synthetic fixed rate of interest. Also, if the swaps have a negative fair value at the time of termination, the Hospital would be liable to the counterparty for a payment equal to the fair value of the respective swap.

The change in the Hospital's fair value of interest rate swap agreements during 2020 and 2019 is summarized as follows:

	2020	2019
Balance, beginning of year	\$ (373,942)	\$ (481,369)
Change in market value	100,987	107,427
Balance, end of year	\$ (272,955)	\$ (373,942)

Swap Payments and Associated Debt

Using rates as of December 31, 2020, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term are set forth in the table below. As rates vary, variable-rate interest payments and net swap payments will vary.

Years Ending December 31	2014 Bonds		Interest Rate Swap, Net	Total to be Paid
	Principal	Interest		
2021	\$ 7,185,000	\$ 831,302	\$ 170,928	\$ 8,187,230
2022	1,220,000	728,359	102,027	2,050,386
2023	1,245,000	702,853	-	1,947,853
2024	1,265,000	678,741	-	1,943,741
2025	1,295,000	650,387	-	1,945,387
2026 - 2030	6,895,000	2,835,624	-	9,730,624
2031 - 2035	7,645,000	2,084,028	-	9,729,028
2036 - 2040	8,475,000	1,250,769	-	9,725,769
2041 - 2044	7,445,000	338,912	-	7,783,912
	\$ 42,670,000	\$ 10,100,975	\$ 272,955	\$ 53,043,930

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Note 16: Restricted and Designated Net Position

At December 31, 2020 and 2019, the Hospital has no restricted net position. At December 31, 2020 and 2019, approximately \$185 million and \$158 million, respectively, of the Hospital's unrestricted net position has been designated by the Hospital's Board of Trustees for capital acquisitions. Designated portions of net position remain under the control of the Board of Trustees, which may, at its discretion, later use this net position for other purposes.

Note 17: Operating Leases

The Hospital leases various facilities under operating leases expiring at various dates through 2028. Total rental expense in 2020 and 2019 for all operating leases was approximately \$14.4 million and \$14.7 million, respectively.

The following is a schedule of future minimum lease payments under operating leases as of December 31, 2020 that have initial or remaining lease terms in excess of one year:

2021	\$ 14,486,902
2022	10,035,621
2023	4,249,111
2024	3,155,595
2025	2,874,705
Thereafter	<u>4,816,661</u>
Future minimum lease payments	<u><u>\$ 39,618,595</u></u>

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Note 18: Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2020 and 2019:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2020				
Investments by fair value level				
Mutual funds - equity	\$ 86,968,255	\$ 86,968,255	\$ -	\$ -
Mutual funds - fixed income	102,942,858	102,942,858	-	-
Total investments by fair value level	<u>\$ 189,911,113</u>	<u>\$ 189,911,113</u>	<u>\$ -</u>	<u>\$ -</u>
Investment derivative instruments				
Interest rate swap agreements	\$ 272,955	\$ -	\$ 272,955	\$ -

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	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2019				
Investments by fair value level				
Mutual funds - equity	\$ 76,067,884	\$ 76,067,884	\$ -	\$ -
Mutual funds - fixed income	86,411,651	86,411,651	-	-
	<u>\$ 162,479,535</u>	<u>\$ 162,479,535</u>	<u>\$ -</u>	<u>\$ -</u>
Total investments by fair value level				
Investment derivative instruments				
Interest rate swap agreements	\$ 373,942	\$ -	\$ 373,942	\$ -
	<u>\$ 373,942</u>	<u>\$ -</u>	<u>\$ 373,942</u>	<u>\$ -</u>

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 and Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Interest Rate Swap Agreements

The fair value is estimated using forward-looking interest rate curves and discounted cash flows that are observable or can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy.

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Note 19: Retirement Plans

Defined-Contribution Retirement Plans

The Hospital maintains defined-contribution retirement plans for the benefit of substantially all of its employees. Under the plans, employee contributions are made into a 403(b) plan, while Hospital matching contributions are made into a 401(a) plan. Employee contributions are allowed up to the maximum allowable by law. The Hospital's matching of contributions ranges from a minimum of 2% to a maximum of 6%, dependent upon years of employment and level of salary deferral. For the years ended December 31, 2020 and 2019, the Hospital made \$4,699,692 and \$4,944,109 of contributions to the plans.

Note 20: Commitments and Contingencies

Commitments

As of December 31, 2020, the Hospital had material commitments for the acquisition of capital assets totaling approximately \$6.5 million, primarily related to electrophysiology lab construction and other building expansion projects.

Litigation

In the normal course of business, the Hospital is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Hospital's insurance program (discussed elsewhere in these notes) or by commercial insurance; for example, allegations regarding employment practices or performance of contracts. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. The Hospital is involved in litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Hospital's future financial position or results from operations. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

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Note 21: Related Party Transactions

The Hospital is related to several operating entities, which do not require presentation as component units within the Hospital's financial statements. These entities are related due to the existence of common directors. The following transactions and year-end balances are included in the financial statements of the Hospital:

Corporate Name/Nature of Relationship	2020	2019
Southeastern Indiana Health Management, Inc. (SIHM)		
Hospital provides and purchases management and other services		
Management services expense	\$ 5,935,995	\$ 4,963,836
Rent expense	140,063	181,157
Concierge expense	-	22,727
Notes receivable	-	6,599,670
Investment income	194,830	755,091
Contribution expense	99,140	623,291
Contract services reimbursed	14,034,252	15,124,014
Employee benefit reimbursement received	170,598	177,293
Miscellaneous income	2,000	2,000
Other receivables	187,017	872,609
Accounts payable	1,771,148	1,356,628
Capital contributions	5,650,030	-
Notes receivable (including interest) due from SIHM, which are secured by real estate, are made up of the following:		
Long-term note due July 1, 2020, interest of 4%	\$ -	\$ 3,294,994
Long-term notes due March 1, 2026, interest of 0%	-	3,304,676
	\$ -	\$ 6,599,670
Columbus Regional Health Foundation, Inc.		
Hospital receives donations and makes contributions		
Contributions to the Foundation	\$ 452,000	\$ 452,000
Contributions received from the Foundation	584,017	748,741
Other receivables	71,271	130,887
Our Hospice of South Central Indiana, Inc.		
Hospital provides and purchases services		
Operating expenses	\$ 99,094	\$ 107,509
Miscellaneous sales to Hospice	110,202	131,037
Other receivables	38,215	39,446
Rent expense paid to Hospice	127,536	127,536

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Notes to Financial Statements
December 31, 2020 and 2019

During November 2019, SIHM gifted and transferred certain real estate to CRHSS through a formal conveyance and transfer of deed. The gifted real estate transferred had outstanding notes receivable with the Hospital that were simultaneously canceled with the real estate gift. The real estate transferred was recorded at lower of cost, or market, that approximated \$14,360,000. The cancelled loans by the Hospital had outstanding principal balances of \$13,854,221.

During September 2020, SIHM gifted and transferred certain real estate to CRHSS through a formal conveyance and transfer of deed. The gifted real estate transferred had outstanding notes receivable with the Hospital that were simultaneously canceled with the real estate gift. The real estate transferred was recorded at lower of cost, or market, that approximated \$12,249,700. The cancelled loans by the Hospital had outstanding principal balances of \$6,599,670. The resulting \$5,650,030 gain from these transactions is reported as capital contributions from related party in the accompanying financial statements.

Note 22: Future Change in Accounting Principle

The GASB has issued Statement No. 87, *Leases*. Under the standard, lessees will be required to recognize substantially all long-term leases on the statement of net position as both a right-to-use asset and a lease liability. In addition, lessors will be required to recognize a lease receivable and a deferred inflow of resources. The new standard also requires leases to be evaluated for the identification of lease and non-lease components in a contract. The new standard is effective for reporting periods beginning after June 15, 2021 (the Hospital's fiscal year ending December 31, 2022). The Hospital is evaluating the impact the standard will have on the financial statements. The standard is expected to have a material impact on the financial statements due to the recognition of additional assets and liabilities for existing operating leases.

**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance With *Government Auditing Standards***

Independent Auditor's Report

Board of Trustees
Columbus Regional Hospital
Columbus, Indiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Columbus Regional Hospital (Hospital), which comprise the balance sheet as of December 31, 2020, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 28, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

BKD,LLP

Indianapolis, Indiana
April 28, 2021