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

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

February 18, 2022

Board of Trustees  
Knox County Hospital  
d/b/a Good Samaritan Hospital  
520 S. Seventh Street  
Vincennes, IN 47591

We have reviewed the audit report of Knox County Hospital, d/b/a Good Samaritan Hospital, which was opined upon by Blue & Co., LLC, Independent Public Accountants, for the period January 1, 2020 to December 31, 2020. Per the *Report of Independent Auditors*, the financial statements included in the report present fairly the financial condition of Knox County Hospital, d/b/a Good Samaritan Hospital, as of December 31, 2020 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

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

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

Paul D. Joyce, CPA  
State Examiner



# Good Samaritan

**CONSOLIDATED FINANCIAL STATEMENTS**

**AND**

**REQUIRED SUPPLEMENTARY INFORMATION**

**AND**

**SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2020 AND 2019**

*CPAs / ADVISORS*



# GOOD SAMARITAN HOSPITAL

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

## REPORT OF INDEPENDENT AUDITORS

Board of Governors  
Good Samaritan Hospital  
Vincennes, Indiana

We have audited the accompanying consolidated financial statements of Knox County Hospital d/b/a Good Samaritan Hospital (the Hospital), a component unit of Knox County, which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Consolidated Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our 2020 audit in accordance with auditing standards generally accepted in the United States of America, the *Uniform Compliance Guidelines for Audits of Hospitals and State and Local Governments by Authorized Independent Public Accountants*, issued by the Indiana State Board of Accounts, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The 2019 consolidated financial statements were not audited under *Government Auditing Standards* and were audited in accordance with auditing standards generally accepted in the United States of America and the *Uniform Compliance Guidelines for Audits of Hospitals and State and Local Governments by Authorized Independent Public Accountants*, issued by the Indiana State Board of Accounts. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

Board of Governors  
Good Samaritan Hospital  
Vincennes, Indiana

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### Opinion

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

### Report on Required Supplementary Information

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

Board of Governors  
Good Samaritan Hospital  
Vincennes, Indiana

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

**Blue & Co., LLC**  
Indianapolis, Indiana  
May 26, 2021

**REQUIRED SUPPLEMENTARY INFORMATION**

# GOOD SAMARITAN HOSPITAL

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2020 AND 2019

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This section of Good Samaritan Hospital's (the Hospital) annual consolidated financial statements presents background information and management's discussion and analysis (MD&A) of the Hospital's consolidated financial performance during the year ended December 31, 2020. This MD&A does include a discussion and analysis of the activities and results of the Hospital's blended component units, Good Samaritan Hospital Foundation, Inc. and Good Samaritan Hospital Physician Services, Inc., and should be read in conjunction with the Hospital's consolidated financial statements that follow this MD&A.

### Financial Highlights

- The Hospital's net position increased approximately \$10,552,000 or 5.4% in 2020.
- The Hospital reported an operating loss of approximately \$10,847,000 for 2020, representing a decrease in operating income of \$19,358,000 in comparison to the 2019 results.
- The Hospital continued its improvement of facilities and equipment in 2020 by adding approximately \$13,959,000 in gross property and equipment. The Hospital disposed of capital assets with a net book value of \$45,000 during 2020. These items combined with depreciation expense of \$19,088,000 resulted in net capital assets decreasing \$5,175,000 from the prior year.
- During 2020 and 2019, the Hospital recognized approximately \$94,161,000 and \$115,964,000, respectively, of gross patient service revenue related to long-term care.

### Using This Annual Report

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

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

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

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



# GOOD SAMARITAN HOSPITAL

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2020 AND 2019

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

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

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

Table 1: Consolidated Balance Sheets

The significant change in the Hospital's assets and deferred outflows occurred within current assets as investments increased approximately \$48,615,000 in 2020 compared to 2019. The total asset and deferred outflows increase of \$42,384,000 in 2020 was a 12.8% increase from 2019. Total liabilities increased by \$31,833,000 during 2020. Net position increased by \$10,552,000 in 2020 compared to 2019. The increase relates primarily to COVID-19 grant funds received in 2020.

	2020	2019	Change 2020 - 2019	2018	Change 2019 - 2018
<b>Assets and deferred outflows</b>					
Current assets	\$ 192,641,818	\$ 146,213,866	\$ 46,427,952	\$ 126,912,888	\$ 19,300,978
Capital assets, net	176,310,709	181,485,312	(5,174,603)	190,787,318	(9,302,006)
Other assets and deferred outflows	5,282,790	4,151,780	1,131,010	2,220,593	1,931,187
Total assets and deferred outflows	<u>\$ 374,235,317</u>	<u>\$ 331,850,958</u>	<u>\$ 42,384,359</u>	<u>\$ 319,920,799</u>	<u>\$ 11,930,159</u>
<b>Liabilities</b>					
Current liabilities	\$ 73,034,969	\$ 38,284,227	\$ 34,750,742	\$ 34,401,087	\$ 3,883,140
Long-term debt, net of current portion	106,551,924	109,469,971	(2,918,047)	111,984,227	(2,514,256)
Total liabilities	179,586,893	147,754,198	31,832,695	146,385,314	1,368,884
<b>Net position</b>					
Unrestricted	122,140,183	109,379,691	12,760,492	91,801,420	17,578,271
Net investment in capital assets	66,811,355	69,228,843	(2,417,488)	76,235,425	(7,006,582)
Restricted - debt service	5,696,886	5,488,226	208,660	5,498,640	(10,414)
Total net position	<u>194,648,424</u>	<u>184,096,760</u>	<u>10,551,664</u>	<u>173,535,485</u>	<u>10,561,275</u>
Total liabilities and net position	<u>\$ 374,235,317</u>	<u>\$ 331,850,958</u>	<u>\$ 42,384,359</u>	<u>\$ 319,920,799</u>	<u>\$ 11,930,159</u>

## GOOD SAMARITAN HOSPITAL

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2020 AND 2019

Total assets and deferred outflows in 2019 compared to 2018 increased approximately \$11,930,000. The majority of the change was in current assets which increased \$19,301,000 in 2019 from 2018. Total liabilities in 2019 increased \$1,369,000. The net position in 2019 increased \$10,561,000 based primarily on favorable operations and investment return.

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

The Hospital's performance in 2020 showed a positive return on equity of 5.4% compared to 5.7% in 2019. Total operating revenue decreased approximately \$16,248,000 as net patient service revenue decreased \$17,881,000 in 2020 over 2019. Expenses increased by \$3,111,000 between 2019 and 2020. Salaries, wages and benefits increased \$1,939,000 in 2020. Medical supplies and drugs decreased \$6,093,000 in 2020 while other operating expenses increased \$9,682,000 in 2020. Nonoperating revenues and expenses increased by \$19,348,000 due to COVID-19 grant funds of \$19,601,000 in 2020.

	2020	2019	Change 2020 - 2019	2018	Change 2019 - 2018
<b>Operating revenues</b>					
Net patient service revenue	\$ 314,591,437	\$ 332,472,400	\$ (17,880,963)	\$ 316,811,891	\$ 15,660,509
Federal, state, and county grant revenue	4,794,943	3,773,551	1,021,392	3,003,923	769,628
County appropriations	575,176	586,787	(11,611)	540,060	46,727
Other operating revenues	4,747,467	4,123,803	623,664	2,921,418	1,202,385
Total operating revenues	324,709,023	340,956,541	(16,247,518)	323,277,292	17,679,249
<b>Operating expenses</b>					
Salaries, wages and benefits	131,959,833	130,020,496	1,939,337	132,040,527	(2,020,031)
Professional fees and purchased services	81,289,444	82,971,170	(1,681,726)	79,195,181	3,775,989
Medical supplies and drugs	30,272,407	36,365,227	(6,092,820)	34,632,892	1,732,335
Depreciation	19,088,115	19,823,985	(735,870)	20,867,586	(1,043,601)
Other operating expenses	72,945,888	63,264,302	9,681,586	62,538,927	725,375
Total operating expenses	335,555,687	332,445,180	3,110,507	329,275,113	3,170,067
Operating income (loss)	(10,846,664)	8,511,361	(19,358,025)	(5,997,821)	14,509,182
<b>Non-operating revenues and expenses</b>					
Investment return	6,449,036	6,824,285	(375,249)	(882,677)	7,706,962
COVID-19 grant funds	19,600,785	-	19,600,785	-	-
Interest expense	(5,831,568)	(6,079,210)	247,642	(5,829,400)	(249,810)
Other nonoperating	1,180,075	1,304,839	(124,764)	698,424	606,415
Total non-operating revenues (expenses)	21,398,328	2,049,914	19,348,414	(6,013,653)	8,063,567
Change in net position	10,551,664	10,561,275	(9,611)	(12,011,474)	22,572,749
<b>Net position</b>					
Beginning of year	184,096,760	173,535,485	10,561,275	185,546,959	(12,011,474)
End of year	\$ 194,648,424	\$ 184,096,760	\$ 10,551,664	\$ 173,535,485	\$ 10,561,275

# GOOD SAMARITAN HOSPITAL

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2020 AND 2019

Total operating revenue increased approximately \$17,679,000 as net patient service revenue increased \$15,661,000 in 2019 over 2018. Expenses increased by \$3,170,000 between 2018 and 2019. Salaries, wages and benefits decreased by \$2,020,000 in 2019. Professional fees and purchased services increased \$3,776,000 in 2019. Nonoperating revenues and expenses increased by \$8,064,000 due to investment return of \$6,824,000 in 2019 compared to investment loss of \$833,000 in 2018.

### Consolidated Statements of Cash Flows

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

Total cash and cash equivalents increased approximately \$188,000 in 2020. This was a decrease of \$16,198,000 from 2019. Operating activities generated cash of \$41,164,000 during 2020 compared to \$31,538,000 in 2019. Non-capital financing generated cash of \$19,601,000 in 2020. Capital and related financing decreased cash and cash equivalents by \$22,446,000 during 2020 compared to a decrease of \$18,841,000 in 2019, mainly as the result of expenditures for property and equipment additions and cash paid for interest. Investing activities decreased cash and cash equivalents by \$38,131,000 in 2020 compared to increasing cash and cash equivalents by \$3,689,000 in 2019.

	2020	2019	Change 2020 - 2019	2018	Change 2019 - 2018
<b>Cash flows from activities</b>					
Operating	\$ 41,163,896	\$ 31,537,586	\$ 9,626,310	\$ 5,876,942	\$ 25,660,644
Non-capital financing	19,600,785	-0-	19,600,785	-0-	-0-
Capital and related financing	(22,446,086)	(18,840,503)	(3,605,583)	(23,061,511)	4,221,008
Investing	(38,130,613)	3,689,224	(41,819,837)	(229,014)	3,918,238
	<u>\$ 187,982</u>	<u>\$ 16,386,307</u>	<u>\$ (16,198,325)</u>	<u>\$ (17,413,583)</u>	<u>\$ 33,799,890</u>

Cash flows from operating activities in 2019 were approximately \$25,661,000 more than 2018. Cash flows used in capital and related financing activities in 2019 were \$4,221,000 less than 2018. Finally, cash flows from investing activities in 2019 were \$3,918,000 more than 2018. Cash and cash equivalents in total increased \$16,386,000 in 2019.

### Sources of Revenue

During 2020, the Hospital derived substantially all of its revenue from patient service and other related activities. A significant portion of the patient service revenue is from patients that are insured by government health programs, principally Medicare and Medicaid, which are highly regulated and subject to frequent and substantial changes. Revenues from the Medicare and Medicaid programs represented 68% of gross revenues of operations in 2020.

## GOOD SAMARITAN HOSPITAL

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2020 AND 2019

The following is a table of major sources of gross patient revenues for 2020:

Payor	2020	2019	2018
Medicare	53%	54%	54%
Medicaid	15%	14%	13%
Other commercial	29%	29%	29%
Self pay	3%	3%	4%
	100%	100%	100%

Inpatient services represented approximately 29% of gross patient revenue for 2020 while outpatient services represented 58%. Long-term care represented 13% in 2020. The composition of the 2020 sources are comparable to 2019 and 2018.

#### Capital Assets

During 2020, the Hospital invested approximately \$10,456,000 in capital assets net of asset disposals compared to \$6,589,000 in 2019. The change in capital assets is outlined in the following table:

	2020	2019	Change 2020 - 2019	2018	Change 2019 - 2018
Land	\$ 6,581,448	\$ 6,581,448	\$ -0-	\$ 6,781,448	\$ (200,000)
Land improvements	10,692,230	10,609,282	82,948	10,676,928	(67,646)
Buildings and improvements	169,923,575	164,668,754	5,254,821	161,900,759	2,767,995
Equipment	228,381,453	224,608,959	3,772,494	220,625,070	3,983,889
Construction in progress	2,305,485	970,209	1,335,276	865,423	104,786
Total capital assets	417,884,191	407,438,652	10,445,539	400,849,628	6,589,024
Less accumulated depreciation	241,573,482	225,953,340	15,620,142	210,062,310	15,891,030
Capital assets, net	\$ 176,310,709	\$ 181,485,312	\$ (5,174,603)	\$ 190,787,318	\$ (9,302,006)

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

#### Debt

Total long-term debt (including current portion) decreased from approximately \$112,256,000 to \$109,499,000 in 2020. In 2019 total long-term debt (including current portion) decreased \$2,295,000 compared to 2018. The primary reason for the decrease in long term debt was principal payments made during the years. More detailed information about the Hospital's long-term debt is presented in the notes to the consolidated financial statements.

# **GOOD SAMARITAN HOSPITAL**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2020 AND 2019**

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### **ECONOMIC OUTLOOK**

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

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

### **CONTACTING THE HOSPITAL'S FINANCIAL MANAGEMENT**

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

# GOOD SAMARITAN HOSPITAL

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2020 AND 2019

	2020	2019
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 31,896,845	\$ 25,719,502
Investments	101,598,996	63,224,412
Restricted cash	5,696,886	5,488,226
Patient accounts receivable, net of estimated allowance for uncollectible accounts of approximately \$3,183,000 in 2020 and \$5,453,000 in 2019	36,753,705	38,167,281
Other receivables	6,633,122	5,889,805
Supplies	3,818,574	2,026,643
Prepaid expenses	6,243,690	4,686,506
Estimated third-party settlements	-0-	1,011,491
Total current assets	192,641,818	146,213,866
<b>Capital assets, net</b>	176,310,709	181,485,312
<b>Other assets</b>	5,038,420	3,844,023
Total assets	373,990,947	331,543,201
<b>Deferred outflows</b>	244,370	307,757
Total assets and deferred outflows	<u>\$ 374,235,317</u>	<u>\$ 331,850,958</u>

## LIABILITIES AND NET POSITION

<b>Current liabilities</b>		
Current portion of long-term debt	\$ 2,947,430	\$ 2,786,498
Accounts payable and accrued expenses	10,324,775	9,772,516
Accrued wages and related liabilities	19,146,976	13,564,611
Other current liabilities	10,598,813	12,130,872
Medicare accelerated and advanced payments	27,649,421	-0-
Estimated third-party settlements	2,367,554	29,730
Total current liabilities	73,034,969	38,284,227
<b>Long-term debt, net of current portion</b>	106,551,924	109,469,971
Total liabilities	179,586,893	147,754,198
<b>Net position</b>		
Unrestricted	122,140,183	109,379,691
Net investment in capital assets	66,811,355	69,228,843
Restricted - debt service	5,696,886	5,488,226
Total net position	194,648,424	184,096,760
Total liabilities and net position	<u>\$ 374,235,317</u>	<u>\$ 331,850,958</u>

See accompanying notes to consolidated financial statements.

## GOOD SAMARITAN HOSPITAL

### CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
<b>Operating revenue</b>		
Net patient service revenue	\$ 314,591,437	\$ 332,472,400
Federal, state, and county grant revenue	4,794,943	3,773,551
County appropriations	575,176	586,787
Other revenue	4,747,467	4,123,803
Total operating revenue	324,709,023	340,956,541
<b>Operating expenses</b>		
Salaries and wages	103,341,469	102,615,859
Employee benefits	28,618,364	27,404,637
Physician fees	10,144,529	9,435,732
Professional fees and purchased services	81,289,444	82,971,170
Medical supplies and drugs	30,272,407	36,365,227
Other supplies	14,428,357	11,205,312
Utilities	4,781,217	4,940,417
Rent and leases	15,999,157	14,362,614
Depreciation	19,088,115	19,823,985
HAF and HIP program fees	11,435,801	11,838,968
Other	16,156,827	11,481,259
Total operating expenses	335,555,687	332,445,180
Operating income (loss)	(10,846,664)	8,511,361
<b>Nonoperating revenues (expenses)</b>		
Investment return	6,449,036	6,824,285
COVID-19 grant funds	19,600,785	-0-
Interest expense	(5,831,568)	(6,079,210)
Other nonoperating	1,180,075	1,304,839
Total nonoperating revenues (expenses)	21,398,328	2,049,914
Change in net position	10,551,664	10,561,275
<b>Net position</b>		
Beginning of year	184,096,760	173,535,485
End of year	\$ 194,648,424	\$ 184,096,760

See accompanying notes to consolidated financial statements.

## GOOD SAMARITAN HOSPITAL

### CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
<b>Cash flows from operating activities</b>		
Cash received from patients and third party payors	\$ 340,938,067	\$ 326,292,781
Cash paid to employees for wages and benefits	(126,377,468)	(129,986,628)
Cash paid to vendors for goods and services	(178,144,170)	(168,892,370)
Other operating receipts, net	4,747,467	4,123,803
Net cash flows from operating activities	41,163,896	31,537,586
<b>Cash flows from non-capital financing activities</b>		
COVID-19 grant funds	19,600,785	-0-
Net cash flows from non-capital financing activities	19,600,785	-0-
<b>Cash flows from capital and related financing activities</b>		
Acquisition and construction of capital assets	(13,728,509)	(10,322,179)
(Gain) loss on disposal of property and equipment	33,235	(388,466)
Proceeds from disposal of property and equipment	11,861	682,137
Cash paid for interest on long-term debt	(5,912,323)	(6,159,965)
Principal payments on long-term debt	(2,850,350)	(2,652,030)
Net cash flows from capital and related financing activities	(22,446,086)	(18,840,503)
<b>Cash flows from investing activities</b>		
Investment return and other non-operating	7,629,111	8,129,124
Change in other assets, net	(1,187,119)	(1,987,297)
Purchases of investments	(48,277,104)	(5,018,362)
Proceeds from sale of investments	3,704,499	2,565,759
Net cash flows from investing activities	(38,130,613)	3,689,224
Net change in cash and cash equivalents	187,982	16,386,307
<b>Cash and cash equivalents</b>		
Beginning of year	52,874,113	36,487,806
End of year	\$ 53,062,095	\$ 52,874,113
<b>Reconciliation to the balance sheets</b>		
Cash and cash equivalents	\$ 31,896,845	\$ 25,719,502
Investments	15,468,364	21,666,385
Restricted cash	5,696,886	5,488,226
Total cash and cash equivalents	\$ 53,062,095	\$ 52,874,113

See accompanying notes to consolidated financial statements.



## GOOD SAMARITAN HOSPITAL

### CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2020 AND 2019

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	2020	2019
<b>Reconciliation of operating income (loss) to net cash flows from operating activities</b>		
Operating income (loss)	\$ (10,846,664)	\$ 8,511,361
Adjustment to reconcile operating income (loss) to net cash flows from operating activities		
Depreciation	19,088,115	19,823,985
Provision for bad debts	17,496,157	20,275,610
Changes in operating assets and liabilities		
Patient accounts receivable	(16,082,581)	(17,818,526)
Other receivables	(743,317)	(1,701,111)
Supplies	(1,791,931)	354,638
Prepaid expenses	(1,557,184)	(561,188)
Accounts payable and accrued expenses	552,259	2,390,873
Accrued wages and related liabilities	5,582,365	33,868
Other current liabilities	(1,532,059)	1,386,149
Medicare accelerated and advanced payments	27,649,421	-0-
Estimated third-party settlements	3,349,315	(1,158,073)
Net cash flows from operating activities	<u>\$ 41,163,896</u>	<u>\$ 31,537,586</u>
<b>Noncash investing/financing activities</b>		
Property acquired by capital lease	\$ 230,099	\$ 493,471

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See accompanying notes to consolidated financial statements.

# GOOD SAMARITAN HOSPITAL

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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### 1. SIGNIFICANT ACCOUNTING POLICIES

#### Organization and Reporting Entity

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

The consolidated financial statements of the Hospital are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business-type activities of the County that is attributable to the transactions of the Hospital and its component units. They do not purport to, and do not, present the financial position of the County as of December 31, 2020 and 2019, the changes in its net position or its cash flows for the years then ended.

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

#### Long-Term Care Operations

The Hospital leases the operations of multiple long-term care facilities by way of arrangements with the managers of the facilities. These facilities provide inpatient and therapy services. Generally, gross revenues from the operation of the facilities are the property of the Hospital, who is responsible for the associated operating expenses and working capital requirements. While the management and related lease agreements are in effect, the performance of all activities of the managers shall be on behalf of the Hospital, who retains the authority and legal responsibility for the operation of the facilities.

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

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# GOOD SAMARITAN HOSPITAL

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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### Basis of Consolidation

The component units discussed below are included in the Hospital's reporting entity because of the significance of their operational or financial relationships with the Hospital.

Good Samaritan Hospital Foundation, Inc. (the Foundation) is a significant blended component unit of the Hospital. The Hospital appoints a voting majority of the Foundation's Board of Directors and a financial benefit/burden relationship exists between the Hospital and the Foundation. Although it is legally separate from the Hospital, the Foundation is reported as if it were a part of the Hospital because it provides services entirely or almost entirely to the Hospital.

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

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

All intercompany accounts and transactions have been eliminated.

### Measurement Focus and Basis of Accounting

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

### Use of Estimates

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

# GOOD SAMARITAN HOSPITAL

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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### Cash and Cash Equivalents

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

### Investments

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

### Restricted Cash

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

### Patient Accounts Receivable and Net Patient Service Revenue

Patient revenues and the related accounts receivable are recorded at the time services to patients are performed. The Hospital is a provider of services to patients entitled to coverage under Titles XVIII and XIX of the Health Insurance Act (Medicare and Medicaid). Differences between the total program billed charges and the payments received are reflected as deductions from revenue. At year-end, a cost report for hospital-based services is filed with the Medicare program computing reimbursement amounts related to Medicare patients. The difference between computed reimbursement and interim reimbursement is reflected as a receivable from or payable to the third-party programs. These programs have audited the year-end cost report filed with the Medicare program through December 31, 2016 with differences reflected as deductions from revenue in the year the cost report is settled. Amounts for unresolved cost reports for 2017 through 2020 are reflected in estimated third-party settlements on the consolidated balance sheets. During 2020 and 2019, the change in net position recognized by the Hospital in the consolidated statements of revenues, expenses and changes in net position due to the differences between original estimates and subsequent revisions for the final settlement of cost reports was not significant. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. Although these audits may result in some changes in these amounts, they are not expected to have a material effect on the accompanying consolidated financial statements.

The Hospital has entered into agreements with certain commercial carriers. Reimbursement for services under these agreements includes discounts from established charges and other payment methodologies. Patient charges under these programs, on which no interim payments have been received, are included in patient accounts receivable at the estimated net realizable value of such charges.

# GOOD SAMARITAN HOSPITAL

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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### Other Receivables

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

### Supplies

Supplies consist primarily of pharmaceutical and medical supplies. Supplies are valued at the lower of cost or net realizable value with cost being determined on the first-in, first-out method. Supplies consist of the following as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Medical supplies and other	\$ 1,645,997	\$ 442,472
Pharmaceutical	2,172,577	1,584,171
	<u>\$ 3,818,574</u>	<u>\$ 2,026,643</u>

### Capital Assets and Depreciation

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

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

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

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

# GOOD SAMARITAN HOSPITAL

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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### Deferred Outflows of Resources

A deferred outflow of resources is a consumption of net position by the Hospital that is applicable to a future reporting period. Deferred outflows of resources are reported in the consolidated balance sheets but are not recognized in the consolidated financial statements as expenses until the periods to which they relate. Deferred outflows of resources consist of losses on debt refunding. The Hospital expects to recognize approximately \$71,000 in amortization annually through 2023 and \$31,000 in 2024 related to the losses on refunding.

### Compensated Absences

Hospital policies permit eligible employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Accumulated vacation benefits are reported as a current liability of approximately \$541,000 and \$577,000 for 2020 and 2019, respectively, and are included within accrued wages and related liabilities in the consolidated balance sheets.

### Net Position

Net position of the Hospital is classified in various components. Net position - net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted net position consists of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors, or donors external to the Hospital, including amounts deposited with trustees as required by debt agreements. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets, or restricted net position.

### Restricted Resources

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

# GOOD SAMARITAN HOSPITAL

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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### Consolidated Statements of Revenues, Expenses and Changes in Net Position

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

### Charity Care

The Hospital provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy. Because the Hospital does not collect amounts deemed to be charity care, they are not reported as revenue. The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of services and supplies furnished under its charity care policy. The charity care charges provided during 2020 and 2019 were approximately \$7,653,000 and \$11,701,000, respectively.

Of the Hospital's total expenses reported, an estimated \$3,583,000 and \$4,981,000 arose from providing services to charity patients during 2020 and 2019, respectively. The estimated costs of providing charity services are based on a calculation, which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of costs to charges is calculated based on the Hospital's total expenses (including interest expense) to gross patient service revenue.

### Grants and Contributions

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

### Federal, State, and County Grant Revenue

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

# GOOD SAMARITAN HOSPITAL

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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

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

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

### Risk Management

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

### Federal or State Income Taxes

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



# GOOD SAMARITAN HOSPITAL

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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The Foundation and PSI are organized as not-for-profit corporations under Section 501(c)(3) and 509(a)(3), respectively, of the United States Internal Revenue Code. As such, the Foundation and PSI are generally exempt from income taxes. However, the Foundation and PSI are required to file Federal Form 990 – Return of Organization Exempt from Income Tax, which is an informational return only. The Foundation and PSI have filed their federal and state income tax returns for periods through December 31, 2019. These income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Hospital, Foundation, and PSI and recognize a tax liability if these organizations have taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by these organizations, and has concluded that as of December 31, 2020 and 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying consolidated financial statements. The Foundation and PSI are subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

### Advertising

The Hospital expenses advertising costs as they are incurred. Advertising expenses for 2020 and 2019 were approximately \$287,000 and \$778,000, respectively, and are included in other expenses within the consolidated statements of revenues, expenses and changes in net position within the consolidated financial statements.

### Litigation

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

### Reclassifications

Certain amounts from 2019 have been reclassified in order to conform to the 2020 presentation. The reclassifications had no impact on total net position or change in net position for 2019, as previously reported.

### Subsequent Events

The Hospital evaluates events or transactions occurring subsequent to the consolidated balance sheet date for recognition and disclosure in the accompanying consolidated financial statements through the date the consolidated financial statements are available to be issued, which is May 26, 2021.

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# GOOD SAMARITAN HOSPITAL

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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### Recently Issued Accounting Standards

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

In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. In May 2020, the GASB issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postponed the effective date of GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, by one year. GASB Statement No. 89 will be effective for periods beginning after December 15, 2020.

In May 2019, the GASB issued GASB Statement No. 91, *Conduit Debt Obligations*, which clarifies the financial reporting and enhances the supporting disclosures for conduit debt obligations and related commitments in the financial statements of issuers. In May 2020, the GASB issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postponed the effective date of GASB Statement No. 91, *Conduit Debt Obligations*, by one year. GASB Statement No. 91 will be effective for periods beginning after December 15, 2021.

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

## **2. CHANGE IN ACCOUNTING PRINCIPLES**

During 2020, the Hospital implemented the following:

- Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations*. This statement addressed accounting and financial reporting issues related to asset retirement obligations. This statement also provides guidance for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. There was no impact to these consolidated financial statements as a result of adoption of this statement.

# GOOD SAMARITAN HOSPITAL

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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- GASB Statement No. 84 – *Fiduciary Activities*. Generally, this statement requires governmental entities, who control assets of a fiduciary activity in which a fiduciary relationship exists with beneficiaries, to include those activities in two separate, interrelated financial statements, the statement of fiduciary net position and the statement of changes in fiduciary net position. The Hospital's fiduciary activities relate to its 403(b) plan and 401(a) plans but do not meet the financial accountability and financial burden criteria for fiduciary activities to be included as component units under this statement. As such, there was no impact to these financial statements as a result of adoption of this statement.
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This statement addressed accounting and financial reporting issues related to debt, including direct borrowings and direct placements. This statement also provides guidance for which liabilities should be included when disclosing information related to debt. As a result of the implementation, disclosures related to the direct borrowings are identified in Note 7. There was no other impact to these financial statement disclosures as a result of adoption of this statement as these disclosures have been provided historically.
- GASB Statement No. 90, *Majority Equity Interests*. This statement addressed accounting and financial reporting issues related to a majority equity interest in a legally separate organization and certain component units. Generally, this statement requires governmental entities, who have a majority equity interest that meets the definition of an investment, to measure the investment using the equity method. There was no impact to these financial statements as a result of adoption of this statement.
- Early implemented GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. This Statement addressed the determination of financial accountability for a potential component unit and the financial burden criteria of a potential component unit. There was no impact to these consolidated financial statements as a result of adoption of this statement.

### 3. DEPOSITS AND INVESTMENTS

Deposits with financial institutions in the State of Indiana at year-end were entirely insured by the Federal Depository Insurance Corporation or by the Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution. Net realized gains and losses on security transactions are determined on the specific identification cost basis. Investments consist of cash equivalents, money market mutual funds, municipal bonds, mutual funds, and exchange traded funds.

## GOOD SAMARITAN HOSPITAL

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

The Hospital's investments generally are reported at fair value, as discussed in Note 1. As of December 31, 2020 and 2019, the Hospital had the following investments and maturities, all of which were held in the Hospital's name by custodial banks that are agents of the Hospital.

December 31, 2020					
Investment Maturities (in years)					
Carrying Amount	Less than 1	1-5	6-10	More than 10	
Money market mutual funds	\$ 763,486	\$ 763,486	\$ -0-	\$ -0-	\$ -0-
Municipal bonds	256,398	256,398	-0-	-0-	-0-
Mutual funds	76,880,682	76,880,682	-0-	-0-	-0-
Exchange traded funds	4,746,125	4,746,125	-0-	-0-	-0-
Certificates of deposit	3,483,941	3,176,577	307,364	-0-	-0-
	\$ 86,130,632	\$ 85,823,268	\$ 307,364	\$ -0-	\$ -0-

  

December 31, 2019					
Investment Maturities (in years)					
Carrying Amount	Less than 1	1-5	6-10	More than 10	
Money market mutual funds	\$ 1,053,901	\$ 1,053,901	\$ -0-	\$ -0-	\$ -0-
Municipal bonds	256,183	256,183	-0-	-0-	-0-
Mutual funds	31,623,639	31,623,639	-0-	-0-	-0-
Exchange traded funds	4,357,536	4,357,536	-0-	-0-	-0-
Certificates of deposit	4,266,768	4,105,926	160,842	-0-	-0-
	\$ 41,558,027	\$ 41,397,185	\$ 160,842	\$ -0-	\$ -0-

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

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

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

# GOOD SAMARITAN HOSPITAL

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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Deposits and investments consist of the following as of December 31, 2020 and 2019:

	2020	2019
Carrying value		
Deposits	\$ 53,062,095	\$ 52,874,113
Investments	86,130,632	41,558,027
	<u>\$ 139,192,727</u>	<u>\$ 94,432,140</u>
Included in the balance sheet		
Cash and cash equivalents	\$ 31,896,845	\$ 25,719,502
Investments	101,598,996	63,224,412
Restricted cash	5,696,886	5,488,226
	<u>\$ 139,192,727</u>	<u>\$ 94,432,140</u>

Investment return for 2020 and 2019 is summarized as follows:

	2020	2019
Unrealized gains	\$ 5,128,687	\$ 4,821,362
Realized gains	658,407	205,998
Interest and dividends	661,942	1,796,925
	<u>\$ 6,449,036</u>	<u>\$ 6,824,285</u>

#### 4. FAIR VALUE MEASUREMENTS

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

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

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of December 31, 2020 and 2019:

- *Money market mutual funds:* Generally transact subscription and redemption activity at a \$1 stable net asset value (NAV) however, on a daily basis the funds are valued at their daily NAV calculated using the amortized cost of the securities held in the fund.
- *Municipal bonds:* Valued using pricing models maximizing the use of observable inputs for similar securities.
- *Mutual funds and exchange traded funds:* Valued at the daily closing price as reported by the fund. Mutual funds and exchange traded funds held by the Hospital are open-end funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds and exchange traded funds held by the Hospital are deemed to be actively traded.

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2020 and 2019 are as follows:

	December 31, 2020			
	Total	Level 1	Level 2	Level 3
Assets				
Investments				
Money market mutual funds	\$ 763,486	\$ -0-	\$ 763,486	\$ -0-
Municipal bonds	256,398	-0-	256,398	-0-
Mutual funds				
Large blend	12,307,343	12,307,343	-0-	-0-
Large growth	2,544,626	2,544,626	-0-	-0-
Large value	3,670,816	3,670,816	-0-	-0-
Mid-cap blend	892,032	892,032	-0-	-0-
Small blend	1,687,052	1,687,052	-0-	-0-
Small value	833,080	833,080	-0-	-0-
Intermediate-term bond	52,281,626	52,281,626	-0-	-0-
Inflation-protected bond	2,664,107	2,664,107	-0-	-0-
Total mutual funds	76,880,682	76,880,682	-0-	-0-
Exchange traded funds				
Large blend	1,899,512	1,899,512	-0-	-0-
Large value	2,846,613	2,846,613	-0-	-0-
Total exchange traded funds	4,746,125	4,746,125	-0-	-0-
	82,646,691	\$ 81,626,807	\$ 1,019,884	\$ -0-
Certificates of deposit	3,483,941			
Money market deposit accounts	12,768,364			
Cash	2,700,000			
	\$ 101,598,996			

## GOOD SAMARITAN HOSPITAL

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

	December 31, 2019			
	Total	Level 1	Level 2	Level 3
<b>Assets</b>				
Investments				
Money market mutual funds	\$ 1,053,901	\$ -0-	\$ 1,053,901	\$ -0-
Municipal bonds	256,183	-0-	256,183	-0-
Mutual funds				
Large blend	10,286,890	10,286,890	-0-	-0-
Large growth	3,704,677	3,704,677	-0-	-0-
Diversified emerging markets	1,212,874	1,212,874	-0-	-0-
Mid-cap blend	743,789	743,789	-0-	-0-
Small blend	759,500	759,500	-0-	-0-
Small value	818,601	818,601	-0-	-0-
Intermediate-term bond	11,258,955	11,258,955	-0-	-0-
Inflation-protected bond	2,838,353	2,838,353	-0-	-0-
Total mutual funds	<u>31,623,639</u>	<u>31,623,639</u>	-0-	-0-
Exchange traded funds				
Large blend	1,674,970	1,674,970	-0-	-0-
Large value	2,682,566	2,682,566	-0-	-0-
Total exchange traded funds	<u>4,357,536</u>	<u>4,357,536</u>	-0-	-0-
	37,291,259	<u>\$ 35,981,175</u>	<u>\$ 1,310,084</u>	<u>\$ -0-</u>
Certificates of deposit	4,266,768			
Money market deposit accounts	20,166,385			
Cash	1,500,000			
	<u>\$ 63,224,412</u>			

The Hospital's policy is to recognize transfers between levels as of the actual date of the event or change in circumstances. There were no significant transfers between levels during 2020 and 2019.

Realized gains and losses included in earnings are reported in the consolidated statements of revenues, expenses and changes in net position as a component of investment return. Differences between market value and cost of investments are classified as unrealized gains or losses. Unrealized gains or losses are included in earnings for the period attributable to the change in unrealized gains relating to assets held as of December 31, 2020 and 2019 and are reported in the consolidated statements of revenues, expenses and changes in net position as a component of investment return.

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

## GOOD SAMARITAN HOSPITAL

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

#### 5. ACCOUNTS RECEIVABLE AND PAYABLE

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

	2020	2019
Patient accounts receivable		
From patients and insurance carriers	\$ 35,666,222	\$ 40,557,217
From Medicare	38,215,255	33,399,387
From Medicaid	12,573,019	13,777,536
	86,454,496	87,734,140
Less contractual allowances	(46,517,640)	(44,113,677)
Less allowances for uncollectible accounts	(3,183,151)	(5,453,182)
Patient accounts receivable, net	\$ 36,753,705	\$ 38,167,281
Accounts payable and accrued wages		
To employees (including payroll taxes)	\$ 15,737,524	\$ 11,693,058
To suppliers	10,324,775	9,772,516
For accrued employee health benefit claims	3,409,452	1,871,553
Total accounts payable and accrued wages	\$ 29,471,751	\$ 23,337,127

#### 6. CAPITAL ASSETS

A summary of capital assets as of December 31, 2020 and 2019, follows:

	12/31/19	Additions	Retirements	Transfers	12/31/20
Land	\$ 6,581,448	\$ -0-	\$ -0-	\$ -0-	\$ 6,581,448
Land improvements	10,609,282	73,770	-0-	9,178	10,692,230
Buildings and improvements	164,668,754	5,004,384	-0-	250,437	169,923,575
Equipment	224,608,959	3,182,823	(3,513,069)	4,102,740	228,381,453
Construction in progress	970,209	5,697,631	-0-	(4,362,355)	2,305,485
Total capital assets	407,438,652	13,958,608	(3,513,069)	-0-	417,884,191
Less accumulated depreciation					
Land improvements	(6,410,937)	(434,078)	-0-	-0-	(6,845,015)
Buildings and improvements	(72,255,913)	(6,088,463)	-0-	74,062	(78,270,314)
Equipment	(147,286,490)	(12,565,574)	3,467,973	(74,062)	(156,458,153)
Total accumulated depreciation	(225,953,340)	(19,088,115)	3,467,973	-0-	(241,573,482)
	\$ 181,485,312	\$ (5,129,507)	\$ (45,096)	\$ -0-	\$ 176,310,709



## GOOD SAMARITAN HOSPITAL

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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

The Hospital had approximately \$2,771,000 of outstanding property and equipment commitments as of December 31, 2020.

#### 7. LONG-TERM DEBT

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

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

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

Year Ending December 31,	
2021	\$ 492,805
2022	492,805
2023	492,805
2024	492,805
2025	492,805
2026 - 2030	2,397,755
2031 - 2034	826,900
	<u>\$ 5,688,680</u>

## GOOD SAMARITAN HOSPITAL

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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

A summary of long-term activity for 2020 and 2019 is as follows:

	12/31/19	Additions	Payments	12/31/20	Current Portion
Indiana Economic Development					
Revenue and Refunding Bonds Series 2012A	\$ 56,925,000	\$ -0-	\$ 1,690,000	\$ 55,235,000	\$ 1,775,000
Revenue Bonds Series 2012B	15,675,000	-0-	-0-	15,675,000	-0-
Indiana Finance Authority					
Health Facilities Revenue Bonds Series 2016A	35,350,000	-0-	610,000	34,740,000	645,000
Other - direct borrowings	1,110,236	230,099	550,350	789,985	527,430
	<u>109,060,236</u>	<u>\$ 230,099</u>	<u>\$ 2,850,350</u>	106,439,985	<u>\$ 2,947,430</u>
Unamortized bond premiums and discounts	3,196,233			3,059,369	
	<u>\$ 112,256,469</u>			<u>\$ 109,499,354</u>	
	12/31/18	Additions	Payments	12/31/19	Current Portion
Indiana Taxable Economic Development					
Revenue and Refunding Bonds Series 2012A	\$ 58,550,000	\$ -0-	\$ 1,625,000	\$ 56,925,000	\$ 1,690,000
Revenue Bonds Series 2012B	15,675,000	-0-	-0-	15,675,000	-0-
Indiana Finance Authority					
Health Facilities Revenue Bonds Series 2016A	35,940,000	-0-	590,000	35,350,000	610,000
Other - direct borrowings	1,053,795	493,471	437,030	1,110,236	486,498
	<u>111,218,795</u>	<u>\$ 493,471</u>	<u>\$ 2,652,030</u>	109,060,236	<u>\$ 2,786,498</u>
Unamortized bond premiums and discounts	3,333,098			3,196,233	
	<u>\$ 114,551,893</u>			<u>\$ 112,256,469</u>	

The Series 2012A, 2012B, and 2016A Bonds are covered under a Master Trust Indenture and are secured by an interest in the net revenues, accounts receivable, and assets restricted under the bond indenture agreement of the Hospital. The Hospital is also required to meet certain financial covenants. The Hospital believes it is in compliance with all covenants as of December 31, 2020 and 2019.

# GOOD SAMARITAN HOSPITAL

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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

Year Ending December 31,	Principal	Interest	Total
2021	\$ 2,947,430	\$ 5,556,690	\$ 8,504,120
2022	2,754,745	5,433,440	8,188,185
2023	2,704,572	5,303,940	8,008,512
2024	2,833,238	5,164,140	7,997,378
2025	2,960,000	5,017,015	7,977,015
2026 - 2030	17,390,000	22,569,160	39,959,160
2031 - 2035	22,235,000	17,026,220	39,261,220
2036 - 2040	29,630,000	10,210,325	39,840,325
2041 - 2045	20,595,000	2,929,600	23,524,600
Thereafter	2,390,000	131,450	2,521,450
	<u>\$ 106,439,985</u>	<u>\$ 79,341,980</u>	<u>\$ 185,781,965</u>

### 8. LINE OF CREDIT

The Hospital entered into a line of credit agreement with a maximum amount of \$10,000,000 on May 18, 2021. There was no balance outstanding as of December 31, 2020. The line of credit bears interest at the floating 30-day LIBOR rate plus 165 basis points (1.79% at December 31, 2020) and is unsecured. The line of credit expired on May 1, 2021 and was not renewed.

### 9. NET PATIENT SERVICE REVENUE

Patient service revenue for 2020 and 2019 consists of the following:

	2020	2019
Inpatient services	\$ 211,211,860	\$ 219,631,561
Outpatient services	423,822,332	459,635,923
Long-term care	94,160,782	115,964,200
Gross patient service revenue	<u>729,194,974</u>	<u>795,231,684</u>
Contractual allowances	389,454,601	430,782,531
Provision for bad debts	17,496,157	20,275,610
Charity care	7,652,779	11,701,143
Deductions from revenue	<u>414,603,537</u>	<u>462,759,284</u>
Net patient service revenue	<u>\$ 314,591,437</u>	<u>\$ 332,472,400</u>

# GOOD SAMARITAN HOSPITAL

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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

### Medicare

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

### Medicaid and Hospital Assessment Fee and Healthy Indiana Plan Programs

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

The Hospital participates in the State of Indiana's Hospital Assessment Fee (HAF) Program. The purpose of the HAF Program is to fund the State share of enhanced Medicaid payments and Medicaid Disproportionate Share (DSH) payments for Indiana hospitals as reflected in the HAF and HIP program fees reported in the consolidated statements of revenues, expenses and changes in net position. Previously, the State share was funded by governmental entities through intergovernmental transfers. The Medicaid enhanced payments relate to both fee for service and managed care claims. The Medicaid enhanced payments are designed to follow the patients and result in increased Medicaid rates. Beginning July 1, 2017, hospitals also started funding the Healthy Indiana Plan (HIP) Program, the State's Medicaid expansion program. The payments related to the HIP Program mirror the Medicaid payments under the HAF Program but the funding includes physician, state administration, and certain non-hospital expenditures. During 2020 and 2019, the Hospital recognized HAF and HIP program fees of approximately \$11,436,000 and \$11,839,000, respectively, which resulted in increased Medicaid reimbursement. The HAF and HIP program fees are included in the consolidated statements of revenues, expenses and changes in net position as operating expenses. The Medicaid rate increases under the HAF and HIP Programs are included in patient service revenue in the consolidated statements revenues, expenses and changes in net position.

# GOOD SAMARITAN HOSPITAL

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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As a governmental entity, the Hospital is also eligible for the Indiana Medicaid Supplemental programs including Medicaid DSH and Municipal Upper Payment Limit programs. The Hospital recognized reimbursement from these programs within net patient service revenue of approximately \$3,502,000 during 2020 and 2019. These programs are administered by the State of Indiana, but rely on federal funding.

### Other

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

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

## **10. PENSION PLANS**

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

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

The Good Samaritan Hospital Physician and Key Employee Retirement Plan (the Retirement Plan) covers licensed physicians and certain executives of the Hospital. The retirement plan allows for contributions from the Hospital. The Good Samaritan Hospital Employee Retirement Savings Plan (the Savings Plan) covers substantially all employees. Effective January 1, 2018, the Savings Plan was amended to provide discretionary matching contributions from the Hospital for all employees hired after January 1, 2017. The Hospital's expense related to the Retirement Plan and the Savings Plan in 2020 and 2019 was approximately \$3,993,000 and \$4,283,000, respectively.

# GOOD SAMARITAN HOSPITAL

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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### **11. EMPLOYEE HEALTH PLAN**

The Hospital participates in a self-funded health plan covering substantially all employees. Covered services include medical benefits. The plan has annual reinsurance coverage starting at a specific level of \$235,000 per individual with an unlimited specific lifetime maximum reimbursement per covered person and no aggregate limit. The consolidated financial statements include an estimated provision for claims that have been incurred but not reported. Total health claims expense was approximately \$14,313,000 and \$13,847,000 for 2020 and 2019, respectively.

### **12. MALPRACTICE INSURANCE**

Malpractice insurance coverage is provided under a claims-made policy. Should the claims-made policy be terminated, the Hospital has the option to purchase insurance for claims having occurred during its term but reported subsequently. The Indiana Medical Malpractice Act, IC 34-18 (the Act) provides a maximum recovery of \$1,800,000 for an occurrence of malpractice. The Act requires the Hospital to maintain medical malpractice liability insurance in the amount of at least \$500,000 per occurrence and \$15,000,000 in the annual aggregate. The Act also requires the Hospital to pay a surcharge to the State Patient's Compensation Fund (the Fund). The Fund is used to pay medical malpractice claims in excess of per occurrence and the annual aggregate amounts as noted above, under certain terms and conditions. No accrual for possible losses attributable to incidents that may have occurred but that have not been identified has been made because the amount, if any, is not reasonably estimable. The Fund is on a claims-made basis and as long as this coverage is continuous or replaced with equivalent insurance, claims based on occurrences during its term but reported subsequently will be insured.

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

# GOOD SAMARITAN HOSPITAL

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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### 13. CONCENTRATIONS OF CREDIT RISK

The Hospital grants credit without collateral to its patients, who are primarily local residents and are insured under third-party payor agreements. The mix of receivables and gross patient service revenues from patients and third-party payors for 2020 and 2019 was as follows:

	Receivables		Revenues	
	2020	2019	2020	2019
Medicare	46%	41%	53%	54%
Medicaid	14%	15%	15%	14%
Other commercial	35%	36%	29%	29%
Self pay	5%	8%	3%	3%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

### 14. COMMITMENTS AND CONTINGENCIES

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

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

During 2020, Provider Relief Funds (PRF) authorized under the Coronavirus Aids, Relief, and Economic Security (CARES) Act were distributed to healthcare providers impacted by the outbreak of the COVID-19 pandemic. The Hospital received \$19,600,785 of these funds from the CARES Act. PRF amounts are recognized to the extent the Hospital incurs eligible expenses or lost revenues attributable to COVID-19. The Hospital recognized PRF of \$19,600,785 as COVID-19 grant funds in nonoperating revenue (expenses) in the consolidated statements of revenues, expenses and changes in net position for 2020. Compliance with the terms and conditions may also be subject to future government review and interpretation as they are emerging and uncertain at the time the consolidated financial statements were available to be issued. There can be no assurance that regulatory authorities will not challenge the Hospital's compliance with the terms and conditions, and it is not possible to determine the impact (if any) such claims would have upon the Hospital's financial position.

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# GOOD SAMARITAN HOSPITAL

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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### 15. OPERATING LEASES

The Hospital leases certain facilities and equipment under operating leases expiring at various times through 2044. Total expense for these operating leases was approximately \$977,000 and \$1,586,000 in 2020 and 2019, respectively. The following is a schedule of future lease payments:

Year Ending December 31,	
2021	\$ 668,447
2022	501,368
2023	275,381
2024	111,536
2025	111,536
Thereafter	195,682
	<u>\$ 1,863,950</u>

Rent expense for facilities and equipment under the long-term care leases discussed in Note 1 was approximately \$14,898,000 and \$12,442,000 for 2020 and 2019, respectively. Annual rent expense through 2021 is scheduled to approximate \$12,000,000 under these leases.



# GOOD SAMARITAN HOSPITAL

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

### 16. BLENDED COMPONENT UNITS

The Hospital's consolidated financial statements include the accounts of its blended component units, the Foundation and PSI. Separate financial statements related to the individual component units may be obtained by contacting Hospital management. The following is a summary of the financial activity of the Foundation and PSI as of and for the years ended December 31, 2020 and 2019.

	2020		2019	
	Foundation	PSI	Foundation	PSI
<b>Assets</b>				
Cash	\$ 442,607	\$ -0-	\$ 479,813	\$ 1
Investments	4,458,303	-0-	4,199,331	-0-
Patient accounts receivable, net	-0-	2,316,390	-0-	2,207,669
Other receivables	3,684	-0-	15,767	-0-
Capital assets, net	564	-0-	-0-	-0-
Total assets	\$ 4,905,158	\$ 2,316,390	\$ 4,694,911	\$ 2,207,670
<b>Liabilities</b>				
Accounts payable and accrued expenses	\$ -0-	\$ 514,224	\$ (134)	\$ 546,018
Accrued wages and related liabilities	5,864	845,554	347	97,547
Estimated third-party settlements	-0-	26,660	-0-	29,730
Total liabilities	5,864	1,386,438	213	673,295
Net position	4,899,294	929,952	4,694,698	1,534,375
Total liabilities and net position	\$ 4,905,158	\$ 2,316,390	\$ 4,694,911	\$ 2,207,670
<b>Operating revenues</b>				
Net patient service revenue	\$ -0-	\$ 27,968,684	\$ -0-	\$ 31,016,685
Federal, state, and county grant revenue	-0-	40,254	-0-	-0-
Other revenue	-0-	2,703,715	-0-	1,475,506
Total operating revenues	-0-	30,712,653	-0-	32,492,191
<b>Operating expenses</b>				
Salaries and wages	-0-	32,056,076	-0-	33,321,232
Employee benefits	-0-	7,566,978	-0-	7,460,734
Physician fees	-0-	8,942,785	-0-	8,215,514
Professional fees and purchased services	-0-	1,820,736	-0-	1,158,615
Medical supplies and drugs	-0-	2,077,380	-0-	2,158,759
Other supplies	-0-	488,653	-0-	601,915
Utilities	-0-	168,885	-0-	190,962
Rent and leases	-0-	549,877	-0-	1,136,896
Depreciation	63	-0-	-0-	-0-
Other	-0-	804,219	-0-	923,381
Total operating expenses	63	54,475,589	-0-	55,168,008
Operating loss	(63)	(23,762,936)	-0-	(22,675,817)
<b>Non-operating revenues (expenses)</b>				
Investment return	620,323	12,156	558,820	36,047
COVID-19 grant funds	-0-	1,214,517	-0-	-0-
Other nonoperating	(620,049)	-0-	(445,065)	11,444
Intercompany transfers	204,385	21,931,840	231,169	23,328,190
Total nonoperating revenues (expenses)	204,659	23,158,513	344,924	23,375,681
Change in net position	204,596	(604,423)	344,924	699,864
Net position, beginning of year	4,694,698	1,534,375	4,349,774	834,511
Net position, end of year	\$ 4,899,294	\$ 929,952	\$ 4,694,698	\$ 1,534,375
<b>Cash flows from activities</b>				
Operating	\$ 222,119	\$ (1,226,674)	\$ 226,570	\$ (47,490)
Non-capital financing activities	-0-	1,214,517	-0-	-0-
Capital and related financing	(627)	-0-	-0-	-0-
Investing	(258,698)	12,156	(422,453)	47,491
Net change in cash	(37,206)	(1)	(195,883)	1
Cash, beginning of year	479,813	1	675,696	-0-
Cash, end of year	\$ 442,607	\$ -0-	\$ 479,813	\$ 1

# GOOD SAMARITAN HOSPITAL

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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### 17. COVID-19

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

During 2020, Provider Relief Funds (PRF) authorized under the Coronavirus Aids, Relief, and Economic Security (CARES) Act were distributed to healthcare providers impacted by the outbreak of the COVID-19 pandemic. The Hospital received approximately \$19,601,000 of these funds from the CARES Act. PRF amounts are recognized to the extent the Hospital meets the terms and conditions. The Hospital recognized PRF of approximately \$19,601,000 as COVID-19 grant funds in nonoperating revenue (expenses) in the consolidated statements of revenues, expenses and changes in net position for 2020. The Hospital did not defer any PRF in the consolidated balance sheet as of December 31, 2020.

The CARES Act also allowed health care providers to request accelerated and advanced payments for Medicare services. The Hospital requested and received approximately \$27,649,000 of accelerated and advanced Medicare payments under this CARES Act provision through the date the consolidated financial statements were available to be issued. The amounts due for Medicare accelerated and advanced payments was reported in current liabilities on the consolidated balance sheets.

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



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

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

Board of Governors  
Good Samaritan Hospital  
Vincennes, Indiana

Report on the Consolidated Financial Statements

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Knox County Hospital d/b/a Good Samaritan Hospital (the Hospital), a component unit of Knox County, which comprise the consolidated balance sheets as of December 31, 2020, and the related consolidated statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated May 26, 2021.

Internal Control Over Financial Reporting

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

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

Board of Governors  
Good Samaritan Hospital  
Vincennes, Indiana

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

#### Compliance and Other Matters

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

#### Purpose of this Report

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

**Blue & Co., LLC**

Indianapolis, Indiana  
May 26, 2021



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

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

Board of Governors  
Good Samaritan Hospital  
Vincennes, Indiana

Report on Compliance for Each Major Federal Program

We have audited Knox County Hospital d/b/a Good Samaritan Hospital's (the Hospital), a component unit of Knox County, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Hospital's major federal programs for the year ended December 31, 2020. The Hospital's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Hospital's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the *Uniform Guidance*). Those standards and the *Uniform Guidance* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Hospital's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Hospital's compliance.

Board of Governors  
Good Samaritan Hospital  
Vincennes, Indiana

### Opinion on Each Major Federal Program

In our opinion, the Hospital complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

### Report on Internal Control Over Compliance

Management of the Hospital is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Hospital's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the *Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements the *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.

Board of Governors  
Good Samaritan Hospital  
Vincennes, Indiana

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

We have audited the consolidated financial statements of the Hospital as of and for the year ended December 31, 2020 and have issued our report thereon dated May 26, 2021, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by the *Uniform Guidance*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

**Blue & Co., LLC**

Indianapolis, Indiana  
January 10, 2022

# GOOD SAMARITAN HOSPITAL

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2020

Federal Grantor/Pass-through Grantor/Program Title	Grant ID #	CFDA Number	Federal Expenditures
<b>Major program</b>			
U.S. Department of Health and Human Services (DHHS)			
Substance Abuse and Mental Health Services Administration			
Section 223 Demonstration Programs to Improve Community Mental Health Services	1H79SM083251-01	93.829	\$ 989,525
Total major program			989,525
<b>Non-Major Programs:</b>			
DHHS			
Indiana Family and Social Services Administration			
Substance Abuse Prevention and Treatment (SAPT) Block Grant	3B08TI010019-19S1	93.959	309,788
Block Grants for Community Mental Health Services	2B09SM010019-19	93.958	131,713
Social Services Block Grant	1902INSOSR	93.667	68,957
Opioid STR	33238	93.788	62,460
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement	N/A	93.912	26,164
Indiana State Department of Health			
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	15962	93.817	1,950
Total non-major programs			601,032
Total federal expenditures			\$ 1,590,557

See report on schedule of expenditures of federal awards as required by the *Uniform Guidance* on page 37.

See notes to schedule of expenditures of federal awards on page 39.



# GOOD SAMARITAN HOSPITAL

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS DECEMBER 31, 2020

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### **1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Knox County Hospital d/b/a Good Samaritan Hospital (the Hospital), a component unit of Knox County, under programs of the federal government for the year ended December 31, 2020 and is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the Hospital, it is not intended to and does not present the consolidated financial position, changes in net assets, or cash flows of the Hospital.

### **2. SUMMARY OF SIGNIFICANT POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Hospital has elected not to use the 10% de minimis indirect cost rate as allowed under the *Uniform Guidance*.

### **3. PASS-THROUGH FUNDS TO SUB-RECIPIENTS**

During 2020, the Hospital did not pass-through funds to sub-recipients.

### **4. FAIR MARKET VALUE OF DONATED PERSONAL PROTECTIVE EQUIPMENT (UNAUDITED)**

The System has determined that the fair value of donated PPE received during 2020 was immaterial to the financial statements. The donated PPE was not considered for purposes of determining the threshold for Uniform Guidance determination of major programs and is not required to be audited as a major program.

### **5. PROVIDER RELIEF FUNDS**

Under terms and conditions of the Provider Relief Funds (PRF) under the Coronavirus Aids, Relief, and Economic Security (CARES) Act, the Hospital is required to report COVID-19 related expenses and lost revenue to the U.S. Department of Health and Human Services (HHS). Guidance from HHS has required the reporting of the COVID-19 related expenses and lost revenue in certain reporting periods based on when the funds were received.

The 2020 Schedule excludes PRF of approximately \$19,601,000 which was received by the Hospital prior to December 31, 2020. Of this total, \$18,386,000 was received under the Employer Identification Number (EIN) of the Hospital. The Hospital's affiliate, Good Samaritan Hospital Physician Services, Inc. received \$1,215,000 of PRF under its EIN.

## **GOOD SAMARITAN HOSPITAL**

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS DECEMBER 31, 2020

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The System recognized \$19,601,000 as revenue in its 2020 consolidated statement of revenues, expenses and changes in net position as the terms and conditions of the PRF grant were satisfied by the Hospital during 2020. HHS requires this PRF amount of \$19,601,000 to be reported on the 2021 Schedule rather than the 2020 Schedule to comply with the HHS reporting guidance.

# GOOD SAMARITAN HOSPITAL

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS DECEMBER 31, 2020

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**Section I - Summary of Audit Results**

**Consolidated Financial Statements**

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

**Federal Awards**

Internal controls over major programs:		
Material weakness(es) identified?	_____ yes	_____ <input checked="" type="checkbox"/> none reported
Significant deficiency(s) identified that are not considered material weakness(es) noted?	_____ yes	_____ <input checked="" type="checkbox"/> none reported
Type of auditor's report issued on compliance for major programs:	Unmodified	

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	_____ yes	_____ <input checked="" type="checkbox"/> no
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Identification of major program(s):	<u>CFDA #</u>	<u>Name of Federal Program</u>
	93.829	Section 223 Demonstration Programs to Improve Community Mental Health Services

Threshold used to distinguish between Type A and B programs:	\$750,000
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Auditee qualified as low-risk auditee?	_____ yes	_____ <input checked="" type="checkbox"/> no
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**Section II - Findings Related to Consolidated Financial Statements Reported in Accordance with Government Auditing Standards:**

No matters reported

**Section III - Findings and Questioned Costs Relating to Federal Awards**

No matters reported

**Section IV - Summary Schedule of Prior Audit Findings**

Not applicable