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October 26, 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, 2021 to December 31, 2021. 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, 2021, 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 Indiana State Board of Accounts.

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

A handwritten signature in cursive script that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner



Good Samaritan

FINANCIAL STATEMENTS

AND

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2021 AND 2020

CPAs / ADVISORS



blue

GOOD SAMARITAN HOSPITAL

TABLE OF CONTENTS DECEMBER 31, 2021 AND 2020

	Page
Report of Independent Auditors	1
Required Supplementary Information	
Management’s Discussion and Analysis (Unaudited).....	MDA - i
Financial Statements	
Balance Sheets	3
Statements of Revenues, Expenses and Changes in Net Position.....	4
Statements of Cash Flows	5
Notes to Financial Statements.....	7
Reporting Under Government Auditing Standards	
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 <i>Government Auditing Standards</i>	30
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	32
Schedule of Expenditures of Federal Awards – Year Ended December 31, 2021	36
Notes to Schedule of Expenditures of Federal Awards – Year Ended December 31, 2021	37
Schedule of Findings and Questioned Costs – December 31, 2021	38



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REPORT OF INDEPENDENT AUDITORS

Board of Governors
Good Samaritan Hospital
Vincennes, Indiana

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of Knox County Hospital d/b/a Good Samaritan Hospital (the Hospital), a component unit of Knox County, which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audits 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hospital and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

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 August 5, 2022 on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

Blue & Co., LLC
Indianapolis, Indiana
August 5, 2022

REQUIRED SUPPLEMENTARY INFORMATION

GOOD SAMARITAN HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2021 AND 2020

This section of Good Samaritan Hospital's (the Hospital) annual financial statements presents background information and management's discussion and analysis (MD&A) of the Hospital's financial performance during the year ended December 31, 2021. 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 financial statements that follow this MD&A.

Financial Highlights

- The Hospital's net position increased approximately \$7,287,000 or 3.6% in 2021.
- The Hospital reported operating loss of approximately (\$5,173,000) for 2021, representing an increase in operating income of \$5,674,000 in comparison to the 2020 results.
- The Hospital continued its improvement of facilities and equipment in 2021 by adding approximately \$6,562,000 in gross property and equipment. The Hospital disposed of capital assets with a net book value of \$36,000 during 2021. These items combined with depreciation expense of \$17,386,000 resulted in net capital assets decreasing \$10,860,000 from the prior year.
- During 2021 and 2020, the Hospital recognized approximately \$95,888,000 and \$94,161,000, respectively, of gross patient service revenue related to long-term care.

Using This Annual Report

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

The 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 statement of revenues, expenses and changes in net position.

Finally, the purpose of the 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, 2021 AND 2020

The 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: Balance Sheets

The Hospital's assets and deferred outflows decreased approximately \$3,584,000 in 2021 compared to 2020. This represents a 0.96% decrease from 2020. Total liabilities decreased by \$10,871,000 during 2021. Net position increased by \$7,287,000 in 2021 compared to 2020. The increase relates primarily to increases in net patient service revenue.

	2021	2020	Change 2021 - 2020	2019	Change 2020 - 2019
Assets and deferred outflows					
Current assets	\$ 201,353,035	\$ 192,641,818	\$ 8,711,217	\$ 146,213,866	\$ 46,427,952
Capital assets, net	165,450,734	176,310,709	(10,859,975)	181,485,312	(5,174,603)
Other assets and deferred outflows	3,847,686	5,282,790	(1,435,104)	4,151,780	1,131,010
Total assets and deferred outflows	<u>\$ 370,651,455</u>	<u>\$ 374,235,317</u>	<u>\$ (3,583,862)</u>	<u>\$ 331,850,958</u>	<u>\$ 42,384,359</u>
Liabilities					
Current liabilities	\$ 63,190,714	\$ 73,034,969	\$ (9,844,255)	\$ 38,284,227	\$ 34,750,742
Long-term debt, net of current portion	105,525,594	106,551,924	(1,026,330)	109,469,971	(2,918,047)
Total liabilities	168,716,308	179,586,893	(10,870,585)	147,754,198	31,832,695
Net position					
Unrestricted	137,204,950	122,140,183	15,064,767	109,379,691	12,760,492
Net investment in capital assets	59,035,394	66,811,355	(7,775,961)	69,228,843	(2,417,488)
Restricted - debt service	5,694,803	5,696,886	(2,083)	5,488,226	208,660
Total net position	<u>201,935,147</u>	<u>194,648,424</u>	<u>7,286,723</u>	<u>184,096,760</u>	<u>10,551,664</u>
Total liabilities and net position	<u>\$ 370,651,455</u>	<u>\$ 374,235,317</u>	<u>\$ (3,583,862)</u>	<u>\$ 331,850,958</u>	<u>\$ 42,384,359</u>

GOOD SAMARITAN HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2021 AND 2020

Total assets and deferred outflows in 2020 compared to 2019 increased approximately \$42,384,000. The majority of the change was in current assets which increased \$46,428,000 in 2020 from 2019. Total liabilities in 2020 increased \$31,833,000. The net position in 2020 increased \$10,552,000 based on COVID-19 grant funds received in 2020.

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

The Hospital's performance in 2021 showed a positive return on equity of 3.6% compared to 5.4% in 2020. Total operating revenue increased approximately \$14,719,000 as net patient service revenue increased \$11,453,000 in 2021 over 2020. Expenses increased by \$9,045,000 between 2020 and 2021. Salaries, wages and benefits increased \$3,498,000 in 2021. Professional fees and purchased services increased \$10,435,000 in 2021. Nonoperating revenues and expenses decreased by \$8,940,000 due to decreases in COVID-19 grant funds of \$8,500,000 in 2021.

	2021	2020	Change 2021 - 2020	2019	Change 2020 - 2019
Operating revenues					
Net patient service revenue	\$ 326,044,635	\$ 314,591,437	\$ 11,453,198	\$ 332,472,400	\$ (17,880,963)
Federal, state, and county grant revenue	6,443,395	4,794,943	1,648,452	3,773,551	1,021,392
County appropriations	592,745	575,176	17,569	586,787	(11,611)
Other operating revenues	6,347,266	4,747,467	1,599,799	4,123,803	623,664
Total operating revenues	<u>339,428,041</u>	<u>324,709,023</u>	<u>14,719,018</u>	<u>340,956,541</u>	<u>(16,247,518)</u>
Operating expenses					
Salaries, wages and benefits	135,457,641	131,959,833	3,497,808	130,020,496	1,939,337
Professional fees and purchased services	91,725,167	81,289,444	10,435,723	82,971,170	(1,681,726)
Medical supplies and drugs	28,727,432	30,272,407	(1,544,975)	36,365,227	(6,092,820)
Depreciation	17,385,769	19,088,115	(1,702,346)	19,823,985	(735,870)
Other operating expenses	71,305,038	72,945,888	(1,640,850)	63,264,302	9,681,586
Total operating expenses	<u>344,601,047</u>	<u>335,555,687</u>	<u>9,045,360</u>	<u>332,445,180</u>	<u>3,110,507</u>
Operating income (loss)	(5,173,006)	(10,846,664)	5,673,658	8,511,361	(19,358,025)
Non-operating revenues and expenses					
Investment return	5,934,289	6,449,036	(514,747)	6,824,285	(375,249)
COVID-19 grant funds	11,100,425	19,600,785	(8,500,360)	-0-	19,600,785
Interest expense	(5,875,137)	(5,831,568)	(43,569)	(6,079,210)	247,642
Other nonoperating	1,300,152	1,180,075	120,077	1,304,839	(124,764)
Total non-operating revenues (expenses)	<u>12,459,729</u>	<u>21,398,328</u>	<u>(8,938,599)</u>	<u>2,049,914</u>	<u>19,348,414</u>
Change in net position	7,286,723	10,551,664	(3,264,941)	10,561,275	(9,611)
Net position					
Beginning of year	194,648,424	184,096,760	10,551,664	173,535,485	10,561,275
End of year	<u>\$ 201,935,147</u>	<u>\$ 194,648,424</u>	<u>\$ 7,286,723</u>	<u>\$ 184,096,760</u>	<u>\$ 10,551,664</u>

GOOD SAMARITAN HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2021 AND 2020

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 by \$1,939,000 in 2020. Other operating expenses increased \$9,682,000 in 2020. Nonoperating revenues and expenses increased by \$19,348,000 due to increases in COVID-19 grant funds \$19,601,000 in 2020.

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 \$7,787,000 in 2021. This was an increase of \$7,599,000 from 2020. Operating activities generated cash of \$5,412,000 during 2021 compared to \$41,164,000 in 2020. Non-capital financing generated cash of \$11,260,000 in 2021. Capital and related financing decreased cash and cash equivalents by \$15,429,000 during 2021 compared to a decrease of \$22,446,000 in 2020, mainly as the result of expenditures for property and equipment additions and cash paid for interest. Investing activities increased cash and cash equivalents by \$6,543,000 in 2021 compared to decreasing cash and cash equivalents by \$38,131,000 in 2020.

	2021	2020	Change 2021 - 2020	2019	Change 2020 - 2019
Cash flows from activities					
Operating	\$ 5,412,139	\$ 41,163,896	\$ (35,751,757)	\$ 31,537,586	\$ 9,626,310
Non-capital financing	11,260,053	19,600,785	(8,340,732)	-0-	19,600,785
Capital and related financing	(15,428,835)	(22,446,086)	7,017,251	(18,840,503)	(3,605,583)
Investing	6,543,386	(38,130,613)	44,673,999	3,689,224	(41,819,837)
	<u>\$ 7,786,743</u>	<u>\$ 187,982</u>	<u>\$ 7,598,761</u>	<u>\$ 16,386,307</u>	<u>\$ (16,198,325)</u>

Cash flows from operating activities in 2020 were approximately \$9,626,000 more than 2019. Non-capital financing generated cash of \$19,601,000 in 2020. Cash flows used in capital and related financing activities in 2020 were \$3,606,000 less than 2019. Finally, cash flows from investing activities in 2020 were \$41,820,000 less than 2019. Cash and cash equivalents in total increased \$188,000 in 2020.

Sources of Revenue

During 2021, the Hospital derived substantially all of its revenue from patient service and other related activities. A significant portion of the patient service revenue is from patients that are insured by government health programs, principally Medicare and Medicaid, which are highly regulated and subject to frequent and substantial changes. Revenues from the Medicare and Medicaid programs represented 69% of gross revenues of operations in 2021.

GOOD SAMARITAN HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2021 AND 2020

The following is a table of major sources of gross patient revenues for 2021:

Payor	2021	2020	2019
Medicare	52%	53%	54%
Medicaid	17%	15%	14%
Other commercial	29%	29%	29%
Self pay	2%	3%	3%
	100%	100%	100%

Inpatient services represented approximately 26% of gross patient revenue for 2021 while outpatient services represented 61%. Long-term care represented 13% in 2021. The composition of the 2021 sources are comparable to 2020 and 2019.

Capital Assets

During 2021, the Hospital invested approximately \$4,951,000 in capital assets net of asset disposals compared to \$10,456,000 in 2020. The change in capital assets is outlined in the following table:

	2021	2020	Change 2021 - 2020	2019	Change 2020 - 2019
Land	\$ 6,581,448	\$ 6,581,448	\$ -0-	\$ 6,581,448	\$ -0-
Land improvements	10,726,598	10,692,230	34,368	10,609,282	82,948
Buildings and improvements	172,219,409	169,923,575	2,295,834	164,668,754	5,254,821
Equipment	232,150,290	228,265,135	3,885,155	224,608,959	3,656,176
Construction in progress	1,157,620	2,421,803	(1,264,183)	970,209	1,451,594
Total capital assets	422,835,365	417,884,191	4,951,174	407,438,652	10,445,539
Less accumulated depreciation	257,384,631	241,573,482	15,811,149	225,953,340	15,620,142
Capital assets, net	\$ 165,450,734	\$ 176,310,709	\$ (10,859,975)	\$ 181,485,312	\$ (5,174,603)

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 financial statements.

Debt

Total long-term debt (including current portion) decreased from approximately \$109,499,000 to \$106,415,000 in 2021. In 2020 total long-term debt (including current portion) decreased \$2,757,000 compared to 2019. 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 financial statements.

GOOD SAMARITAN HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2021 AND 2020

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

BALANCE SHEETS DECEMBER 31, 2021 AND 2020

ASSETS	2021	2020
Current assets		
Cash and cash equivalents	\$ 35,224,659	\$ 31,896,845
Investments	108,130,057	101,598,996
Restricted cash	5,694,803	5,696,886
Patient accounts receivable, net of estimated allowance for uncollectible accounts of approximately \$2,787,000 in 2021 and \$3,684,000 in 2020	34,545,201	36,753,705
Other receivables	6,227,196	6,633,122
Supplies	3,383,538	3,818,574
Prepaid expenses	7,234,194	6,243,690
Estimated third-party settlements	913,387	-0-
Total current assets	201,353,035	192,641,818
Capital assets, net	165,450,734	176,310,709
Other assets	3,666,704	5,038,420
Total assets	370,470,473	373,990,947
Deferred outflows	180,982	244,370
Total assets and deferred outflows	\$ 370,651,455	\$ 374,235,317
LIABILITIES AND NET POSITION		
Current liabilities		
Current portion of long-term debt	\$ 889,746	\$ 2,947,430
Accounts payable and accrued expenses	6,472,210	10,324,775
Accrued wages and related liabilities	14,888,455	19,146,976
Other current liabilities	16,696,576	10,598,813
Medicare accelerated and advanced payments	17,544,461	27,649,421
Estimated third-party settlements	6,699,266	2,367,554
Total current liabilities	63,190,714	73,034,969
Long-term debt, net of current portion	105,525,594	106,551,924
Total liabilities	168,716,308	179,586,893
Net position		
Unrestricted	137,204,950	122,140,183
Net investment in capital assets	59,035,394	66,811,355
Restricted - debt service	5,694,803	5,696,886
Total net position	201,935,147	194,648,424
Total liabilities and net position	\$ 370,651,455	\$ 374,235,317

See accompanying notes to financial statements.

GOOD SAMARITAN HOSPITAL

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

	2021	2020
Operating revenue		
Net patient service revenue	\$ 326,044,635	\$ 314,591,437
Federal, state, and county grant revenue	6,443,395	4,794,943
County appropriations	592,745	575,176
Other revenue	6,347,266	4,747,467
Total operating revenue	339,428,041	324,709,023
Operating expenses		
Salaries and wages	108,210,852	103,341,469
Employee benefits	27,246,789	28,618,364
Physician fees	10,120,761	10,144,529
Professional fees and purchased services	91,725,167	81,289,444
Medical supplies and drugs	28,727,432	30,272,407
Other supplies	14,638,544	14,428,357
Utilities	5,211,345	4,781,217
Rent and leases	16,394,476	15,999,157
Depreciation	17,385,769	19,088,115
HAF and HIP program fees	12,162,805	11,435,801
Other	12,777,107	16,156,827
Total operating expenses	344,601,047	335,555,687
Operating income (loss)	(5,173,006)	(10,846,664)
Nonoperating revenues (expenses)		
Investment return	5,934,289	6,449,036
COVID-19 grant funds	11,100,425	19,600,785
Interest expense	(5,875,137)	(5,831,568)
Other nonoperating	1,300,152	1,180,075
Total nonoperating revenues (expenses)	12,459,729	21,398,328
Change in net position	7,286,723	10,551,664
Net position		
Beginning of year	194,648,424	184,096,760
End of year	\$ 201,935,147	\$ 194,648,424

See accompanying notes to financial statements.

GOOD SAMARITAN HOSPITAL

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

	2021	2020
Cash flows from operating activities		
Cash received from patients and third party payors	\$ 316,439,839	\$ 340,938,067
Cash paid to employees for wages and benefits	(139,716,162)	(126,377,468)
Cash paid to vendors for goods and services	(177,658,804)	(178,144,170)
Other operating receipts, net	6,347,266	4,747,467
Net cash flows from operating activities	5,412,139	41,163,896
 Cash flows from non-capital financing activities		
COVID-19 grant funds	11,260,053	19,600,785
Net cash flows from non-capital financing activities	11,260,053	19,600,785
 Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(6,562,236)	(13,728,509)
(Gain) loss on disposal of property and equipment	20,358	33,235
Proceeds from disposal of property and equipment	16,084	11,861
Cash paid for interest on long-term debt	(5,955,892)	(5,912,323)
Principal payments on long-term debt	(2,947,149)	(2,850,350)
Net cash flows from capital and related financing activities	(15,428,835)	(22,446,086)
 Cash flows from investing activities		
Investment return and other non-operating	7,234,441	7,629,111
Change in other assets, net	1,378,994	(1,187,119)
Purchases of investments	(5,774,548)	(48,277,104)
Proceeds from sale of investments	3,704,499	3,704,499
Net cash flows from investing activities	6,543,386	(38,130,613)
Net change in cash and cash equivalents	7,786,743	187,982
 Cash and cash equivalents		
Beginning of year	53,062,095	52,874,113
End of year	\$ 60,848,838	\$ 53,062,095
 Reconciliation to the balance sheets		
Cash and cash equivalents	\$ 35,224,659	\$ 31,896,845
Investments	19,929,376	15,468,364
Restricted cash	5,694,803	5,696,886
Total cash and cash equivalents	\$ 60,848,838	\$ 53,062,095

See accompanying notes to financial statements.

GOOD SAMARITAN HOSPITAL

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

	2021	2020
Reconciliation of operating income (loss) to net cash flows from operating activities		
Operating income (loss)	\$ (5,173,006)	\$ (10,846,664)
Adjustment to reconcile operating income (loss) to net cash flows from operating activities		
Depreciation	17,385,769	19,088,115
Provision for bad debts	12,421,702	17,496,157
Changes in operating assets and liabilities		
Patient accounts receivable	(10,213,198)	(16,082,581)
Other receivables	(4,598,625)	(743,317)
Supplies	435,036	(1,791,931)
Prepaid expenses	(990,504)	(1,557,184)
Accounts payable and accrued expenses	(3,852,565)	552,259
Accrued wages and related liabilities	(4,258,521)	5,582,365
Other current liabilities	10,942,686	(1,532,059)
Medicare accelerated and advanced payments	(10,104,960)	27,649,421
Estimated third-party settlements	3,418,325	3,349,315
Net cash flows from operating activities	<u>\$ 5,412,139</u>	<u>\$ 41,163,896</u>
Noncash investing/financing activities		
Property acquired by capital lease	\$ -0-	\$ 230,099

See accompanying notes to financial statements.

GOOD SAMARITAN HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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 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, 2021 and 2020, 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 financial statements present the Hospital and its blended component units, collectively referred to as "primary government". The component units discussed in these 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 2022. The terms of these agreements may be renewed at the end of each term for an additional period of two years. All parties involved can terminate the agreement without cause with 90 days written notice.

GOOD SAMARITAN HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Component Units

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

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 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 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 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 FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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, 2017 with differences reflected as deductions from revenue in the year the cost report is settled. Amounts for unresolved cost reports for 2018 through 2021 are reflected in estimated third-party settlements on the balance sheets. During 2021 and 2020, the change in net position recognized by the Hospital in the 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 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 FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Medical supplies and other	\$ 1,424,493	\$ 1,645,997
Pharmaceutical	<u>1,959,045</u>	<u>2,172,577</u>
	<u>\$ 3,383,538</u>	<u>\$ 3,818,574</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 FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Deferred Outflows of Resources

A deferred outflow of resources is a consumption of net position by the Hospital that is applicable to a future reporting period. Deferred outflows of resources are reported in the balance sheets but are not recognized in the financial statements as expenses until the periods to which they relate. Deferred outflows of resources 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 \$447,000 and \$541,000 for 2021 and 2020, respectively, and are included within accrued wages and related liabilities in the 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 FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Statements of Revenues, Expenses and Changes in Net Position

The Hospital's 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 2021 and 2020 were approximately \$3,579,000 and \$7,653,000, respectively.

Of the Hospital's total expenses reported, an estimated \$1,658,000 and \$3,583,000 arose from providing services to charity patients during 2021 and 2020, 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 FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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 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 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 FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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, 2020. These income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

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, 2021 and 2020, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. The 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 2021 and 2020 were approximately \$408,000 and \$287,000, respectively, and are included in other expenses within the statements of revenues, expenses and changes in net position within the 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 2020 have been reclassified in order to conform to the 2021 presentation. The reclassifications had no impact on total net position or change in net position for 2020, as previously reported.

Subsequent Events

The Hospital evaluates events or transactions occurring subsequent to the balance sheet date for recognition and disclosure in the accompanying financial statements through the date the financial statements are issued, which is August 5, 2022.

GOOD SAMARITAN HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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 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 financial statements.

2. CHANGE IN ACCOUNTING PRINCIPLES

During 2021, the Hospital implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will no longer be included in the historical cost of a capital asset reported in the Hospital's financial statements. This statement was adopted prospectively beginning in 2021. There was no impact to these 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 FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

The Hospital's investments generally are reported at fair value, as discussed in Note 1. As of December 31, 2021 and 2020, the Hospital had the following investments and maturities, all of which were held in the Hospital's name by custodial banks that are agents of the Hospital.

December 31, 2021					
Investment Maturities (in years)					
	Carrying Amount	Less than 1	1-5	6-10	More than 10
Money market mutual funds	\$ 2,092,563	\$ 2,092,563	\$ -0-	\$ -0-	\$ -0-
Municipal bonds	252,785	252,785	-0-	-0-	-0-
Mutual funds	78,898,035	78,898,035	-0-	-0-	-0-
Exchange traded funds	6,907,199	6,907,199	-0-	-0-	-0-
Certificates of deposit	50,099	-0-	50,099	-0-	-0-
	\$ 88,200,681	\$ 88,150,582	\$ 50,099	\$ -0-	\$ -0-

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-

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 FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Deposits and investments consist of the following as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Carrying value		
Deposits	\$ 60,848,838	\$ 53,062,095
Investments	88,200,681	86,130,632
	<u>\$ 149,049,519</u>	<u>\$ 139,192,727</u>
Included in the balance sheet		
Cash and cash equivalents	\$ 35,224,659	\$ 31,896,845
Investments	108,130,057	101,598,996
Restricted cash	5,694,803	5,696,886
	<u>\$ 149,049,519</u>	<u>\$ 139,192,727</u>

Investment return for 2021 and 2020 is summarized as follows:

	<u>2021</u>	<u>2020</u>
Unrealized gains	\$ 4,487,281	\$ 5,128,687
Realized gains	1,083,530	658,407
Interest and dividends	363,478	661,942
	<u>\$ 5,934,289</u>	<u>\$ 6,449,036</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.

GOOD SAMARITAN HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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, 2021 and 2020:

- *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, 2021 and 2020 are as follows:

	December 31, 2021			
	Total	Level 1	Level 2	Level 3
Assets				
Investments				
Money market mutual funds	\$ 2,092,563	\$ -0-	\$ 2,092,563	\$ -0-
Municipal bonds	252,785	-0-	252,785	-0-
Mutual funds				
Large blend	16,067,786	16,067,786	-0-	-0-
Large growth	2,911,100	2,911,100	-0-	-0-
Large value	5,628,626	5,628,626	-0-	-0-
Mid-cap blend	1,037,004	1,037,004	-0-	-0-
Medium Growth	2,225,524	2,225,524	-0-	-0-
Small value	1,501,094	1,501,094	-0-	-0-
Intermediate-term bond	45,182,274	45,182,274	-0-	-0-
Inflation-protected bond	4,344,627	4,344,627	-0-	-0-
Total mutual funds	78,898,035	78,898,035	-0-	-0-
Exchange traded funds				
Large growth	2,524,753	2,524,753	-0-	-0-
Large value	4,382,446	4,382,446	-0-	-0-
Total exchange traded funds	6,907,199	6,907,199	-0-	-0-
	88,150,582	\$ 85,805,234	\$ 2,345,348	\$ -0-
Certificates of deposit	50,099			
Money market deposit accounts	16,129,376			
Cash	3,800,000			
	\$ 108,130,057			

GOOD SAMARITAN HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

	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-
Diversified emerging markets	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	<u>76,880,682</u>	<u>76,880,682</u>	-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	<u>4,746,125</u>	<u>4,746,125</u>	-0-	-0-
	82,646,691	<u>\$ 81,626,807</u>	<u>\$ 1,019,884</u>	<u>\$ -0-</u>
Certificates of deposit	3,483,941			
Money market deposit accounts	12,768,364			
Cash	<u>2,700,000</u>			
	<u>\$ 101,598,996</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 2021 and 2020.

Realized gains and losses included in earnings are reported in the 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, 2021 and 2020 and are reported in the 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 financial statements.

GOOD SAMARITAN HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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:

	2021	2020
Patient accounts receivable		
From patients and insurance carriers	\$ 57,662,458	\$ 36,166,824
From Medicare	18,120,936	38,215,255
From Medicaid	4,816,039	12,573,019
	80,599,433	86,955,098
Less contractual allowances	(43,267,330)	(46,517,640)
Less allowances for uncollectible accounts	(2,786,902)	(3,683,753)
Patient accounts receivable, net	\$ 34,545,201	\$ 36,753,705
Accounts payable and accrued wages		
To employees (including payroll taxes)	\$ 11,434,616	\$ 15,737,524
To suppliers	6,472,210	10,324,775
For accrued employee health benefit claims	3,453,839	3,409,452
Total accounts payable and accrued wages	\$ 21,360,665	\$ 29,471,751

6. CAPITAL ASSETS

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

	12/31/20	Additions	Retirements	Transfers	12/31/21
Land	\$ 6,581,448	\$ -0-	\$ -0-	\$ -0-	\$ 6,581,448
Land improvements	10,692,230	34,368	-0-	-0-	10,726,598
Buildings and improvements	169,923,575	1,216,900	(572)	1,079,506	172,219,409
Equipment	228,265,135	5,144,553	(1,610,490)	351,092	232,150,290
Construction in progress	2,421,803	166,415	-0-	(1,430,598)	1,157,620
Total capital assets	417,884,191	6,562,236	(1,611,062)	-0-	422,835,365
Less accumulated depreciation					
Land improvements	(6,845,015)	(429,341)	-0-	-0-	(7,274,356)
Buildings and improvements	(78,270,314)	(6,088,166)	572	-0-	(84,357,908)
Equipment	(156,458,153)	(10,868,262)	1,574,048	-0-	(165,752,367)
Total accumulated depreciation	(241,573,482)	(17,385,769)	1,574,620	-0-	(257,384,631)
	\$ 176,310,709	\$ (10,823,533)	\$ (36,442)	\$ -0-	\$ 165,450,734

GOOD SAMARITAN HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

	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	3,066,505	(3,513,069)	4,102,740	228,265,135
Construction in progress	970,209	5,813,949	-0-	(4,362,355)	2,421,803
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)
	<u>\$ 181,485,312</u>	<u>\$ (5,129,507)</u>	<u>\$ (45,096)</u>	<u>\$ -0-</u>	<u>\$ 176,310,709</u>

The Hospital had approximately \$2,325,000 of outstanding property and equipment commitments as of December 31, 2021.

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,	
2022	\$ 492,805
2023	492,805
2024	492,805
2025	492,805
2026	492,805
2027 - 2031	2,234,188
2032 - 2034	497,662
	<u>\$ 5,195,875</u>

GOOD SAMARITAN HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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 balance sheets.

A summary of long-term activity for 2021 and 2020 is as follows:

	12/31/20	Additions	Payments	12/31/21	Current Portion	Long-term portion
Direct placements						
Indiana Economic Development						
Revenue and Refunding Bonds Series 2012A	\$ 55,235,000	\$ -0-	\$ 1,775,000	\$ 53,460,000	\$ 1,865,000	\$ 51,595,000
Revenue Bonds Series 2012B	15,675,000	-0-	-0-	15,675,000	-0-	15,675,000
Indiana Finance Authority						
Health Facilities Revenue Bonds Series 2016A	34,740,000	-0-	645,000	34,095,000	675,000	33,420,000
Other	789,985	-0-	527,149	262,836	214,746	48,090
	<u>106,439,985</u>	<u>\$ -0-</u>	<u>\$ 2,947,149</u>	103,492,836	2,754,746	100,738,090
Unamortized bond premiums and discounts	3,059,369			2,922,504		
	<u>\$ 109,499,354</u>			<u>\$ 106,415,340</u>		
Effect of 2022 refinancing					(1,865,000)	
					<u>\$ 889,746</u>	
	12/31/19	Additions	Payments	12/31/20	Current Portion	Long-term portion
Direct placements						
Indiana Taxable Economic Development						
Revenue and Refunding Bonds Series 2012A	\$ 56,925,000	\$ -0-	\$ 1,690,000	\$ 55,235,000	\$ 1,775,000	\$ 53,460,000
Revenue Bonds Series 2012B	15,675,000	-0-	-0-	15,675,000	-0-	15,675,000
Indiana Finance Authority						
Health Facilities Revenue Bonds Series 2016A	35,350,000	-0-	610,000	34,740,000	645,000	34,095,000
Other	1,110,236	230,099	550,350	789,985	527,430	262,555
	<u>109,060,236</u>	<u>\$ 230,099</u>	<u>\$ 2,850,350</u>	106,439,985	\$ 2,947,430	\$ 103,492,555
Unamortized bond premiums and discounts	3,196,233			3,059,369		
	<u>\$ 112,256,469</u>			<u>\$ 109,499,354</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, 2021 and 2020.

Subsequent to December 31, 2021, the Hospital borrowed from the Indiana Finance Authority, the Health Facility Revenue Refunding Bonds, Series 2022A Bonds for approximately \$49,785,000 to refinance the existing Series 2012A Bonds. The Series 2022A Bonds have fixed interest rates ranging from 4.00% to 5.00%. The Series 2022A Bonds mature at various times through 2042.

GOOD SAMARITAN HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

The maturities schedule has been updated to reflect the new payment schedule related to the debt refinancing that occurred subsequent to December 31, 2021. Aggregate maturities of long-term debt are as follows:

Year Ending December 31,	Principal	Interest	Total
2022	\$ 889,746	\$ 4,119,867	\$ 5,009,613
2023	2,779,572	4,577,427	7,356,999
2024	2,903,329	4,431,960	7,335,289
2025	3,055,189	4,279,332	7,334,521
2026	3,195,000	4,119,282	7,314,282
2027 - 2031	18,585,000	17,934,413	36,519,413
2032 - 2036	23,805,000	13,106,487	36,911,487
2037 - 2041	29,555,000	7,303,062	36,858,062
2042 - 2046	15,585,000	1,641,638	17,226,638
	<u>\$ 100,352,836</u>	<u>\$ 61,513,468</u>	<u>\$ 161,866,304</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, 2020. 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 2021 and 2020 consists of the following:

	2021	2020
Inpatient services	\$ 199,243,977	\$ 211,211,860
Outpatient services	461,376,430	423,822,332
Long-term care	95,888,341	94,160,782
Gross patient service revenue	756,508,748	729,194,974
Contractual allowances	414,463,550	389,454,601
Provision for bad debts	12,421,702	17,496,157
Charity care	3,578,861	7,652,779
Deductions from revenue	430,464,113	414,603,537
Net patient service revenue	<u>\$ 326,044,635</u>	<u>\$ 314,591,437</u>

GOOD SAMARITAN HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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 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 2021 and 2020, the Hospital recognized HAF and HIP program fees of approximately \$12,163,000 and \$11,436,000, respectively, which resulted in increased Medicaid reimbursement. The HAF and HIP program fees are included in the 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 statements revenues, expenses and changes in net position.

GOOD SAMARITAN HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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 2021 and 2020. 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 2021 and 2020 was approximately \$3,864,000 and \$3,993,000, respectively.

GOOD SAMARITAN HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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 financial statements include an estimated provision for claims that have been incurred but not reported. Total health claims expense was approximately \$13,291,000 and \$14,313,000 for 2021 and 2020, 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.

13. COMMITMENTS AND CONTINGENCIES

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

GOOD SAMARITAN HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

14. 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 2021 and 2020 was as follows:

	Receivables		Revenues	
	2021	2020	2021	2020
Medicare	45%	46%	52%	53%
Medicaid	12%	14%	17%	15%
Other commercial	37%	35%	29%	29%
Self pay	6%	5%	2%	3%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

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 \$957,000 and \$977,000 in 2021 and 2020, respectively. The following is a schedule of future lease payments:

Year Ending December 31,	
2022	\$ 501,368
2023	275,381
2024	111,536
2025	111,536
2026	8,416
Thereafter	<u>144,476</u>
	<u>\$ 1,152,713</u>

Rent expense for facilities and equipment under the long-term care leases discussed in Note 1 was approximately \$15,437,000 and \$14,898,000 for 2021 and 2020, respectively. Annual rent expense through 2022 is scheduled to approximate \$14,000,000 under these leases.

GOOD SAMARITAN HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

16. COVID-19 AND RELATED FUNDING

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

During 2021 and 2020, grants under the American Rescue Plan (ARP) and the Coronavirus Aids, Relief, and Economic Security (CARES) Act were distributed to health care providers impacted by the outbreak of the COVID-19 pandemic. Revenues from ARP and CARES grants can be recognized to the extent of expenses incurred specific to responding to the COVID-19 pandemic. Eligible expenses must not be reimbursed from another source and not obligated to be reimbursed from another source. ARP and CARES grants that are not fully expended on eligible expenses can then be applied to lost revenues as defined by the guidance issued by the grantor. The Hospital received ARP and CARES grants of approximately \$11,100,000 and \$19,197,000 in 2021 and 2020, respectively. ARP and CARES funds are subject to recoupment by the grantor in the event that the conditions for recognition are not satisfied. As of December 31, 2021 and 2020, the Hospital deferred ARP and CARES grants of approximately \$-0-. Also, during 2021 and 2020, the Hospital recognized ARP and CARES grants of \$11,100,000 and \$19,197,000, respectively, as COVID-19 grant funds in nonoperating revenue (expenses) in the statements of revenues, expenses and changes in net position. Other COVID-19 grants received and recognized during 2021 and 2020 were approximately \$-0- and \$404,000, respectively. 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 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

17. BLENDED COMPONENT UNITS

The Hospital's 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, 2021 and 2020.

GOOD SAMARITAN HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

	2021		2020	
	Foundation	PSI	Foundation	PSI
Assets				
Cash	\$ 213,917	\$ -0-	\$ 442,607	\$ -0-
Investments	4,396,301	-0-	4,458,303	-0-
Patient accounts receivable, net	-0-	2,081,816	-0-	2,316,390
Other receivables	-0-	-0-	3,684	-0-
Estimated third-party settlements	-0-	913,387	-0-	-0-
Capital assets, net	439	-0-	564	-0-
Total assets	<u>\$ 4,610,657</u>	<u>\$ 2,995,203</u>	<u>\$ 4,905,158</u>	<u>\$ 2,316,390</u>
Liabilities				
Accounts payable and accrued expenses	\$ (207,000)	\$ 720,360	\$ -0-	\$ 514,224
Accrued wages and related liabilities	295	316,701	5,864	845,554
Estimated third-party settlements	-0-	-0-	-0-	26,660
Total liabilities	(206,705)	1,037,061	5,864	1,386,438
Net position	<u>4,817,362</u>	<u>1,958,142</u>	<u>4,899,294</u>	<u>929,952</u>
Total liabilities and net position	<u>\$ 4,610,657</u>	<u>\$ 2,995,203</u>	<u>\$ 4,905,158</u>	<u>\$ 2,316,390</u>
Operating revenues				
Net patient service revenue	\$ -0-	\$ 31,438,095	\$ -0-	\$ 27,968,684
Federal, state, and county grant revenue	-0-	59,999	-0-	40,254
Other revenue	-0-	3,139,834	-0-	2,703,715
Total operating revenues	-0-	34,637,928	-0-	30,712,653
Operating expenses				
Salaries and wages	-0-	33,108,808	-0-	32,056,076
Employee benefits	-0-	8,003,605	-0-	7,566,978
Physician fees	-0-	8,185,661	-0-	8,942,785
Professional fees and purchased services	-0-	3,434,755	-0-	1,820,736
Medical supplies and drugs	-0-	1,853,545	-0-	2,077,380
Other supplies	-0-	594,242	-0-	488,653
Utilities	-0-	197,341	-0-	168,885
Rent and leases	-0-	506,102	-0-	549,877
Depreciation	125	-0-	63	-0-
Other	-0-	1,065,565	-0-	804,219
Total operating expenses	125	56,949,624	63	54,475,589
Operating loss	(125)	(22,311,696)	(63)	(23,762,936)
Non-operating revenues (expenses)				
Investment return	564,121	6,247	620,323	12,156
COVID-19 grant funds	-0-	698,816	-0-	1,214,517
Other nonoperating	(854,483)	-0-	(620,049)	-0-
Intercompany transfers	208,555	22,634,823	204,385	21,931,840
Total nonoperating revenues (expenses)	(81,807)	23,339,886	204,659	23,158,513
Change in net position	(81,932)	1,028,190	204,596	(604,423)
Net position, beginning of year	4,899,294	929,952	4,694,698	1,534,375
Net position, end of year	<u>\$ 4,817,362</u>	<u>\$ 1,958,142</u>	<u>\$ 4,899,294</u>	<u>\$ 929,952</u>
Cash flows from activities				
Operating	\$ (330)	\$ (705,063)	\$ 222,119	\$ (1,226,674)
Non-capital financing activities	-0-	698,816	-0-	1,214,517
Capital and related financing	-0-	-0-	(627)	-0-
Investing	(228,360)	6,247	(258,698)	12,156
Net change in cash	(228,690)	-0-	(37,206)	(1)
Cash, beginning of year	442,607	-0-	479,813	1
Cash, end of year	<u>\$ 213,917</u>	<u>\$ -0-</u>	<u>\$ 442,607</u>	<u>\$ -0-</u>



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**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 Financial Statements

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Good Samaritan Hospital (the Hospital), which comprise the balance sheet as of December 31, 2021, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 5, 2022.

Internal Control Over Financial Reporting

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

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

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.

Board of Governors
Good Samaritan Hospital
Vincennes, Indiana

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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

August 5, 2022



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**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

Opinion on Each Major Federal Program

We have audited Knox County Hospital's d/b/a Good Samaritan Hospital (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, 2021. The Hospital's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Hospital complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Hospital and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the Hospital's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Hospital's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Hospital's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the Hospital's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Hospital's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Hospital's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

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

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

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

We have audited the financial statements of the Hospital as of and for the year ended December 31, 2021 and have issued our report thereon dated August 5, 2022, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by the Uniform Guidance, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

Board of Governors
Good Samaritan Hospital
Vincennes, Indiana

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Blue & Co., LLC
Indianapolis, Indiana
September 30, 2022

GOOD SAMARITAN HOSPITAL

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

Federal Grantor/Pass-through Grantor/Program Title	Grant ID #	CFDA Number	Federal Expenditures
Major programs			
U.S. Department of Health and Human Services (DHHS)			
COVID-19 - Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	N/A	93.498	\$ 19,196,885
Indiana Family and Social Services Administration			
Substance Abuse Prevention and Treatment (SAPT) Block Grant	3B08TI010019-19S1	93.959	<u>309,786</u>
Total major programs			19,506,671
Non-Major Programs:			
DHHS			
Indiana Family and Social Services Administration			
Block Grants for Community Mental Health Services	2B09SM010019-19	93.958	131,963
Social Services Block Grant	1902INSOSR	93.667	68,956
Opioid STR	33238	93.788	83,009
COVID-19 - Uninsured Program	N/A	93.461	25,383
COVID-19 - Testing and Mitigation for Rural Health Clinics	N/A	93.697	200,000
Substance Abuse and Mental Health Services Administration			
Section 223 Demonstration Programs to Improve Community Mental Health Services	1H79SM083251-01	93.829	1,593,496
U.S. Department of Justice			
Indiana Family and Social Services Administration			
Comprehensive Opioid, Stimulant, and Substance Abuse Site-based Program	2020-AR-BX-0135	16.838	132,078
Total non-major programs			<u>2,234,885</u>
Total federal expenditures			<u>\$ 21,741,556</u>

GOOD SAMARITAN HOSPITAL

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

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Good Samaritan Hospital (the Hospital) under programs of the federal government for the year ended December 31, 2021 and is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Hospital, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Hospital.

2. SUMMARY OF SIGNIFICANT POLICIES

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

3. PASS-THROUGH FUNDS TO SUB-RECIPIENTS

During 2021, the Hospital did not pass-through funds to sub-recipients.

4. PROVIDER RELIEF FUNDS

Under 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.

HHS requires PRF amounts received prior to December 31, 2020, and expended through December 31, 2021, to be reported on the 2021 Schedule rather than the 2020 Schedule. As such, the Hospital received approximately \$19,197,000 in PRF prior to December 31, 2020. During 2021 and 2020, the Hospital recognized \$11,100,000 and \$19,197,000 as revenue in its 2021 and 2020 statements of revenues, expenses and changes in net position, respectively, as the terms and conditions of the PRF grant were satisfied. PRF grants of \$11,100,000 also recognized as revenue in 2021 will be reported on the 2022 Schedule as required by HHS.

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

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

GOOD SAMARITAN HOSPITAL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS DECEMBER 31, 2021

Section I - Summary of Audit Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	_____ yes	_____ <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
Identification of major program(s):	<u>CFDA #</u>	
<u>Name of Federal Programs</u>		
COVID-19 - Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498	
Substance Abuse Prevention and Treatment (SAPT) Block Grant	93.959	
Threshold used to distinguish between Type A and B programs:	\$750,000	
Auditee qualified as low-risk auditee?	_____ yes	_____ <input checked="" type="checkbox"/> no

Section II - Findings Related to 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