



**FINANCIAL STATEMENTS**

**AND**

**SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2021 AND 2020**

*CPAs / ADVISORS*



**HENRY COMMUNITY HEALTH**

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DECEMBER 31, 2021 AND 2020

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

## REPORT OF INDEPENDENT AUDITORS

Board of Trustees  
Henry Community Health  
New Castle, Indiana

### Report on the Audit of Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of Henry County Memorial Hospital d/b/a Henry Community Health (the Hospital), a component unit of Henry County, which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which comprise the Hospital's financial statements as listed in the table of contents.

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

We did not audit the financial statements of Henry County Hospital Foundation (the Foundation), a blended component unit, which statements reflect total assets of approximately \$73.4 million and \$66.7 million as of December 31, 2021 and 2020, respectively, and total revenues of approximately \$8.8 million and \$9.7 million, respectively, for the years then ended. Also, we did not audit the financial statements of HCMH Diversified Management Corporation (DMC), a blended component unit, which statements reflect total assets of approximately \$3.1 million and \$3.0 million as of December 31, 2021 and 2020, respectively, and total revenues of approximately \$17.6 million and \$16.7 million, respectively, for the years then ended. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included for the Foundation and DMC, is based solely on the reports of the other auditors.

Board of Trustees  
Henry Community Health  
New Castle, Indiana

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

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 Responsibility 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.

Board of Trustees  
Henry Community Health  
New Castle, Indiana

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 Hospitals 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.

#### *Report on Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis be presented to supplement the basic 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 audits 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 Trustees  
Henry Community Health  
New Castle, Indiana

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hospital's basic financial statements. The supplementary information listed in the table of contents is presented for the purpose of additional analysis of the financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and it 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. The supplementary 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, which insofar as it relates to the Foundation and DMC, is based on the reports of other auditors, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

**Blue & Co., LLC**

Indianapolis, Indiana

May 12, 2022

**REQUIRED SUPPLEMENTARY INFORMATION**

# HENRY COMMUNITY HEALTH

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

DECEMBER 31, 2021

(WITH COMPARATIVE TOTALS FOR 2020 AND 2019)

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Management's discussion and analysis of Henry Community Health's (the Hospital) financial performance provides an overview of the Hospital's financial activities for the fiscal year ended December 31, 2021. Please read it in conjunction with the Hospital's financial statements, which begin on page 5. As mentioned in Note 1, the financial statements include the Hospital, as well as Henry County Hospital Foundation, Inc. and HCMH Diversified Management Corporation, collectively referred to as the Hospital.

### USING THIS ANNUAL REPORT

This annual report consists of two parts—*management's discussion and analysis*, and the *financial statements*.

- In the "*management's discussion and analysis*" section of this report, management discusses various components of the annual report and provides an analysis of the current financial statement information.
- The "*financial statements*" section of this report includes a series of financial statements, which provide information about the activities of the Hospital as a whole. The Balance Sheets reveal the assets, liabilities, and net position of the Hospital on December 31, 2021 and 2020 while the Statements of Operations and Changes in Net Position summarize the revenues and expenses, including nonoperating items for the years then ended. The Statements of Cash Flows summarize the change in cash and cash equivalents as a result of operating, investing, and financing activities during the year. The Notes to the Financial Statements disclose additional information addressed within the body of the financial statements.

### THE BALANCE SHEET AND STATEMENT OF OPERATIONS AND CHANGES IN NET POSITION

One of the most important questions asked about the Hospital's finances is, "Is the Hospital as a whole better or worse off as a result of the year's activities?" The Balance Sheet and the Statement of Operations 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 the current year's revenues and expenses are taken into account regardless of when cash is received or paid.



# HENRY COMMUNITY HEALTH

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2021 (WITH COMPARATIVE TOTALS FOR 2020 AND 2019)

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These two statements report the Hospital's net position and changes in it. You can 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 the financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Hospital's patient base and measures of the quality of service provided to the community, as well as local economic factors to assess the overall health of the Hospital.

### THE STATEMENT OF CASH FLOWS

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

### THE HOSPITAL'S NET POSITION

The Hospital's net position is the difference between its assets compared to its liabilities reported in the Balance Sheet on page 5. The Hospital's net position increased by approximately \$14.4 million or 9.2% from 2020 to 2021 and increased by approximately \$12.7 million or 8.9% from 2019 to 2020 as you can see from Table 1.

Table 1: Balance Sheets

	2021	2020	2021-2020 Change	2019
<b>Assets</b>				
Current assets	\$ 110,191,136	\$ 131,624,880	\$ (21,433,744)	\$ 103,018,523
Capital assets, net	69,610,249	69,759,980	(149,731)	64,883,209
Other investments and assets	71,282,197	55,674,854	15,607,343	49,408,496
Total assets	<u>\$ 251,083,582</u>	<u>\$ 257,059,714</u>	<u>\$ (5,976,132)</u>	<u>\$ 217,310,228</u>
<b>Liabilities</b>				
Current liabilities	\$ 68,223,031	\$ 87,252,430	\$ (19,029,399)	\$ 58,913,430
Long term debt, net of current portion	10,602,000	12,087,233	(1,485,233)	13,533,109
Other long term liabilities	1,286,151	1,169,228	116,923	1,052,305
Total liabilities	<u>\$ 80,111,182</u>	<u>\$ 100,508,891</u>	<u>\$ (20,397,709)</u>	<u>\$ 73,498,844</u>
<b>Net Position</b>				
Net investment in capital assets	\$ 57,523,016	\$ 56,226,871	\$ 1,296,145	\$ 49,943,493
By donor - expendable - for capital acquisition	1,457,160	1,331,766	125,394	1,103,312
Unrestricted	111,992,224	98,992,186	13,000,038	92,764,579
Total net position	<u>\$ 170,972,400</u>	<u>\$ 156,550,823</u>	<u>\$ 14,421,577</u>	<u>\$ 143,811,384</u>

# HENRY COMMUNITY HEALTH

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2021 (WITH COMPARATIVE TOTALS FOR 2020 AND 2019)

The following discussion includes changes from 2020 to 2021. The significant changes in the Hospital's assets included current assets, which decreased by approximately \$21.4 million, with decreased receivables in long-term care operations. Current liabilities decreased by approximately \$19.0 million. Current liabilities decreased due to advances on Medicare payments received during 2020 in response to the Coronavirus (COVID-19) pandemic that began to be paid back during 2021, and due to timing of accounts payables and accrued expenses in long-term care operations. The net position increased due to gains from operating revenue and nonoperating revenue, which was partially offset by an increase in operating expenses.

The significant changes from 2019 to 2020 in the Hospital's assets included current assets, which increased by approximately \$28.6 million, with growth in revenues and long-term care operations. Current liabilities increased by approximately \$28.4 million. Current liabilities increased due to advances on Medicare payments received during 2020 in response to the Coronavirus (COVID-19) pandemic, and due to timing and increased expenses during the year. The net position increased due to gains from operating revenue and nonoperating revenue, which was partially offset by an increase in operating expenses.

### OPERATING RESULTS AND CHANGES IN THE HOSPITAL'S NET POSITION AND CASH FLOWS

In 2021, the Hospital's operating revenues increased by approximately \$47.1 million as shown in Table 2. In 2020, the Hospital's operating revenues increased by approximately \$15.1 million.

Table 2: Operating Results and Changes in Net Position

	2021	2020	2021-2020 Change	2019
<b>Operating revenues</b>				
Net patient service revenues	\$ 344,139,292	\$ 301,877,870	\$ 42,261,422	\$ 286,442,146
Other operating revenues	10,835,962	6,046,990	4,788,972	6,367,065
Total operating revenues	354,975,254	307,924,860	47,050,394	292,809,211
<b>Operating expenses</b>				
Salaries and benefits	86,918,748	80,009,382	6,909,366	74,289,563
Medical supplies and drugs	31,959,386	25,526,431	6,432,955	23,489,849
Depreciation and amortization	7,701,305	7,330,825	370,480	7,314,130
Other operating expenses	229,147,149	214,081,824	15,065,325	178,373,592
Total operating expenses	355,726,588	326,948,462	28,778,126	283,467,134
Operating income (loss)	(751,334)	(19,023,602)	18,272,268	9,342,077
<b>Non-operating revenues (expenses)</b>				
Investment income	4,432,281	6,080,988	(1,648,707)	5,375,749
Other non-operating revenues and expenses, net	10,740,630	25,682,053	(14,941,423)	(187,918)
Total non-operating revenues (expenses)	15,172,911	31,763,041	(16,590,130)	5,187,831
Change in net position	14,421,577	12,739,439	1,682,138	14,529,908
<b>Net position beginning of year</b>	156,550,823	143,811,384	12,739,439	129,281,476
<b>Net position end of year</b>	\$ 170,972,400	\$ 156,550,823	\$ 14,421,577	\$ 143,811,384

# HENRY COMMUNITY HEALTH

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
DECEMBER 31, 2021  
(WITH COMPARATIVE TOTALS FOR 2020 AND 2019)

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## OPERATING INCOME (LOSS)

During 2021, revenues increased at a greater rate compared to expenses due to fewer restrictions related to the COVID-19 pandemic. During 2020, expenses increased at a greater rate compared to revenues primarily due to increased expenses incurred in response to the COVID-19 pandemic, which contributed to the operating loss during 2020.

## NONOPERATING INCOME

Nonoperating income was primarily driven by Provider Relief Funds (PRF) received that were distributed to healthcare providers impacted by the outbreak of the COVID-19 pandemic, with a gain of approximately \$10.8 million and \$25.9 million in 2021 and 2020, respectively. This contributed to the decrease in non-operating revenues of \$16.6 million from 2020 to 2021 and increase in non-operating revenues of \$26.6 million from 2019 to 2020.

Table 3: Hospital Cash Flows

	2021	2020	2021-2020 Change	2019
<b>Cash flows from activities</b>				
Operating	\$ 796,122	\$ 18,206,519	\$ (17,410,397)	\$ 18,803,313
Non-capital financing	10,831,907	25,916,741	(15,084,834)	-0-
Capital and related financing	(9,061,929)	(13,588,630)	4,526,701	(10,325,762)
Investing	(8,870,456)	(3,768,597)	(5,101,859)	(5,324,798)
	<u>\$ (6,304,356)</u>	<u>\$ 26,766,033</u>	<u>\$ (33,070,389)</u>	<u>\$ 3,152,753</u>

In 2021, the Hospital's cash flows from operations decreased from 2020 primarily due to paybacks of Medicare advance payments received in 2020 that were paid back in 2021. Total cash flows from operations were approximately \$800,000 in 2021 and approximately \$18.2 million generated in 2020. Cash flows generated from non-capital financing activities relate to PRF received in response to the COVID-19 pandemic. Cash flows used in capital and related financing activities relate primarily to the purchase of property and equipment.

# HENRY COMMUNITY HEALTH

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2021 (WITH COMPARATIVE TOTALS FOR 2020 AND 2019)

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### CAPITAL ASSETS

During 2021, the Hospital's net capital assets have decreased by approximately \$200,000, compared to an increase of approximately \$4.9 million in 2020. The change in capital assets is outlined in the following table:

	2021	2020	2021-2020 Change	2019
Land and improvements	\$ 6,911,104	\$ 7,495,291	\$ (584,187)	\$ 5,403,920
Buildings and improvements	77,678,181	78,717,179	(1,038,998)	75,627,637
Equipment	74,965,961	72,995,925	1,970,036	64,208,278
Construction in progress	1,787,978	51,701	1,736,277	3,314,300
Total capital assets	161,343,224	159,260,096	2,083,128	148,554,135
Less accumulated depreciation	91,732,975	89,500,116	2,232,859	83,670,926
Capital assets, net	\$ 69,610,249	\$ 69,759,980	\$ (149,731)	\$ 64,883,209

Net capital assets have decreased from 2020 compared to 2021 due to current year depreciation outpacing capital additions in the current year. Net capital assets increased from 2019 compared to 2020 due to capital additions outpacing depreciation. The Hospital continually evaluates facilities and equipment to ensure that everything is upgraded as necessary. See the notes to the financial statements for additional information about capital assets.

### DEBT

The Hospital has the following debt outstanding, which approximates \$12.1 million and \$13.5 million as of December 31, 2021 and 2020, respectively:

- 2015 tax-exempt revenue bonds
- Capital lease obligation

More detailed information about the Hospital's long-term debt is presented in the Notes to the Financial Statements.

### BAD DEBT AND CHARITY CARE

Bad debt expense and charity care write-offs decreased in 2021 compared to 2020 experience and in 2020 compared to 2019 experience due to payor mix shifts.

	<u>Bad Debt</u>	<u>Charity</u>	<u>Total</u>	<u>% Chg</u>
2018	\$7,092,633	\$1,745,666	\$8,838,299	
2019	\$10,114,271	\$1,749,010	\$11,863,281	34%
2020	\$8,706,480	\$1,262,734	\$9,969,214	-16%
2021	\$7,272,216	\$1,218,110	\$8,490,326	-15%

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# HENRY COMMUNITY HEALTH

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

DECEMBER 31, 2021

(WITH COMPARATIVE TOTALS FOR 2020 AND 2019)

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## **ECONOMIC OUTLOOK**

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, or loss of or reduction to revenue, and investment portfolio declines.

Management believes that the healthcare industry and the Hospital's operating margins will continue to be under pressure as a result of COVID-19, the changes in payor mix and growth in operating expenses, that exceed any increases in contractually arranged and legally established payments received for services provided. Another factor that poses a challenge to management is the increasing competitive market for the delivery of healthcare services. This competitive market challenge will potentially be offset by the expected growth in the service area. The Hospital will still be faced with the challenge of providing quality services in an increasingly competitive environment, while at the same time managing costs. The Hospital will be affected by the increases in labor costs due to the competition for healthcare workers. The Hospital is also affected by the uncertainty of federal healthcare reform.

## **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 Controller at Henry Community Health, 1000 North 16<sup>th</sup> Street, New Castle, Indiana 47362.

# HENRY COMMUNITY HEALTH

## BALANCE SHEETS DECEMBER 31, 2021 AND 2020

	2021	2020
<b>Current assets</b>		
Cash and money market deposit accounts	\$ 60,989,900	\$ 69,521,293
Patient accounts receivable, net of estimated allowance for uncollectible accounts of approximately \$7,000,000 in 2021 and \$6,700,000 in 2020	37,919,500	31,186,818
Supplies and other current assets	9,884,283	29,556,089
Current portion of assets whose use is limited	1,397,453	1,360,680
Total current assets	110,191,136	131,624,880
<b>Investments</b>	42,838,577	36,423,038
<b>Assets whose use is limited</b>		
Internally designated	21,909,475	12,900,936
By donor - expendable - for capital acquisition	1,457,160	1,331,766
	23,366,635	14,232,702
Less current portion	1,397,453	1,360,680
Total assets whose use is limited	21,969,182	12,872,022
<b>Capital assets, net</b>	69,610,249	69,759,980
<b>Other assets</b>	6,474,438	6,379,794
Total assets	\$ 251,083,582	\$ 257,059,714

### LIABILITIES AND NET POSITION

	2021	2020
<b>Current liabilities</b>		
Current portion of long-term debt	\$ 1,485,233	\$ 1,445,876
Accounts payable and accrued expenses	52,506,864	68,586,062
Accrued wages and related liabilities	8,443,435	6,324,114
Estimated third-party settlements	5,787,499	10,896,378
Total current liabilities	68,223,031	87,252,430
<b>Other long-term liabilities</b>	1,286,151	1,169,228
<b>Long-term debt, net of current portion</b>	10,602,000	12,087,233
Total liabilities	80,111,182	100,508,891
<b>Net position</b>		
Unrestricted	111,992,224	98,992,186
Net investment in capital assets	57,523,016	56,226,871
Restricted		
By donor - expendable - for capital acquisition	1,457,160	1,331,766
Total net position	170,972,400	156,550,823
Total liabilities and net position	\$ 251,083,582	\$ 257,059,714

See accompanying notes to financial statements.

## HENRY COMMUNITY HEALTH

### STATEMENTS OF OPERATIONS AND CHANGES IN NET POSITION YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
<b>Operating revenue</b>		
Net patient service revenue	\$ 344,139,292	\$ 301,877,870
Other revenue	10,835,962	6,046,990
Total revenue	354,975,254	307,924,860
<b>Operating expenses</b>		
Salaries and benefits	86,918,748	80,009,382
Medical professional fees	1,545,061	1,777,561
Purchased services	152,414,475	136,498,777
Medical supplies and drugs	31,959,386	25,526,431
Other supplies	13,798,346	14,933,647
Depreciation and amortization	7,701,305	7,330,825
Utilities	5,820,832	5,114,028
Rent	17,340,286	18,424,267
Hospital assessment fee	4,439,867	3,723,182
Other	33,788,282	33,610,362
Total expenses	355,726,588	326,948,462
Operating loss	(751,334)	(19,023,602)
<b>Nonoperating revenues (expenses)</b>		
Investment income	4,432,281	6,080,988
Interest expense	(205,619)	(383,861)
COVID-19 grant funds	10,831,907	25,916,741
Other nonoperating	114,342	149,173
Total nonoperating revenues (expenses)	15,172,911	31,763,041
Change in net position	14,421,577	12,739,439
<b>Net position</b>		
Beginning of year	156,550,823	143,811,384
End of year	\$ 170,972,400	\$ 156,550,823

See accompanying notes to financial statements.

# HENRY COMMUNITY HEALTH

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

	2021	2020
<b>Cash flows from operating activities</b>		
Cash received from patients and third party payors	\$ 327,857,864	\$ 315,718,855
Cash paid to employees for wages and benefits	(84,799,427)	(79,363,002)
Cash paid to vendors for goods and services	(254,192,698)	(223,959,759)
Other operating receipts, net	11,930,383	5,810,425
Net cash flows from operating activities	796,122	18,206,519
<b>Cash flows from non-capital financing activities</b>		
COVID-19 grant funds	10,831,907	25,916,741
<b>Cash flows from capital and related financing activities</b>		
Acquisition and construction of capital assets	(7,433,787)	(11,806,118)
Loss on disposal of property and equipment	23,353	7,956
Interest on long-term debt	(205,619)	(383,861)
Principal payments on long-term debt	(1,445,876)	(1,406,607)
Net cash flows from capital and related financing activities	(9,061,929)	(13,588,630)
<b>Cash flows from investing activities</b>		
Investment income and other non-operating	4,546,623	6,230,161
Change in other assets, net	(94,644)	(114,390)
Purchases of investments in assets whose use is limited - internally designated and investments	(14,700,384)	(14,670,575)
Proceeds from sale of investments in assets whose use is limited - internally designated and investments	1,503,343	5,014,661
Change in assets whose use is limited - restricted by donor, net	(125,394)	(228,454)
Net cash flows from investing activities	(8,870,456)	(3,768,597)
Net change in cash and money market deposit accounts	(6,304,356)	26,766,033
<b>Cash and money market deposit accounts</b>		
Beginning of year	70,954,733	44,188,700
End of year	\$ 64,650,377	\$ 70,954,733

See accompanying notes to financial statements.



# HENRY COMMUNITY HEALTH

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

	2021	2020
<b>Reconciliation of operating loss to net cash flows from operating activities</b>		
Operating loss	\$ (751,334)	\$ (19,023,602)
Adjustment to reconcile operating income to net cash flows from operating activities		
Depreciation and amortization	7,701,305	7,330,825
Bad debts	7,272,216	8,706,480
Changes in assets and liabilities		
Patient accounts receivable	(14,004,898)	(6,011,468)
Supplies and other current assets	19,671,806	(4,775,713)
Accounts payable and accrued expenses	(16,220,338)	16,347,539
Accrued salaries and related liabilities	2,119,321	646,380
Other long-term liabilities	116,923	116,923
Estimated third-party settlements	(5,108,879)	14,869,155
Net cash flows from operating activities	<u>\$ 796,122</u>	<u>\$ 18,206,519</u>
 <b>Reconciliation of cash and money market deposit accounts to the balance sheets</b>		
Cash and money market deposit accounts		
In current assets	\$ 60,989,900	\$ 69,521,293
In investments	3,660,477	1,433,440
Total cash and money market deposit accounts	<u>\$ 64,650,377</u>	<u>\$ 70,954,733</u>
 <b>Supplemental cash flows information</b>		
Property included in accounts payable	\$ 141,140	\$ 409,434

See accompanying notes to financial statements.

# HENRY COMMUNITY HEALTH

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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### 1. SIGNIFICANT ACCOUNTING POLICIES

#### Organization and Reporting Entity

Henry County Memorial Hospital (HCMH) d/b/a Henry Community Health (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 and outpatient healthcare.

The Board of County Commissioners of Henry County appoints the Governing Board of the Hospital (Board) and a financial benefit/burden relationship exists between Henry County and the Hospital. For these reasons, the Hospital is considered a component unit of Henry County.

On June 7, 1976, the Board of County Commissioners of Henry County, upon written request of the Henry County Hospital Board of Trustees created the Henry County Hospital Association (the Association). The Association was created pursuant to the provisions of Indiana Code 16-22-6 for the exclusive purpose of financing and constructing facilities for the Hospital. The Association has no assets, no liabilities and conducts no operations.

Pursuant to the provision of long-term care, the Hospital owns the operations of certain long-term care facilities by way of an arrangement 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 and the Hospital 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 and the Hospital retains the authority and legal responsibility for the operation of the facilities.

The Hospital has entered into lease agreements with the long-term care facilities, collectively referred to as the Lessors and the Managers, to lease the facilities managed by the Managers. Concurrently, the Hospital entered into agreements with the Managers to manage the above leased facilities. As part of the agreements, the Hospital will pay 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 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.

#### Blended 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.

# HENRY COMMUNITY HEALTH

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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Henry County Hospital Foundation, Inc. (the Foundation) is a significant 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 and rental property, 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. The Foundation's separate audited financial statements can be obtained by contacting the Foundation.

HCMH Diversified Management Corporation (DMC) is a significant component unit of the Hospital. The Hospital is the sole shareholder and appoints DMC's Board of Directors and is able to impose its will. Although it is legally separate from the Hospital, DMC is reported as if it were a part of the Hospital because the two Boards of Directors/Trustees are substantially the same.

DMC provides pharmacy services to the surrounding communities. DMC's separate audited financial statements can be obtained by directly contacting DMC.

DMC owns New Castle Clinic, Inc. (the Clinic), which operates a physician group practice. DMC's results within these financials include those of the Clinic for the years ended December 31, 2021 and 2020.

Separate financial statements related to the individual component units may be obtained by contacting Hospital management.

The Hospital, Foundation and DMC are hereby collectively referred to as the Hospital. 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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# HENRY COMMUNITY HEALTH

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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### Cash and Money Market Deposit Accounts

Cash and money market deposit accounts 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 money market deposit accounts.

### Patient Accounts Receivable, Net and Net Patient Service Revenue

Patient service revenue and patient accounts receivable are recorded at the net realizable amounts based on established charges when the patient service is rendered. The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, discounted charges and per diem payments. Charges for services to patients are primarily based on the patients' ability to pay.

Patient accounts receivable are reduced by an allowance for uncollectible accounts based on the Hospital's evaluation of its major payor sources of revenue, the aging of the accounts, historical losses, current economic conditions, and other factors unique to its service area and the healthcare industry. Management regularly reviews data about the major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for bad debts, if necessary. For receivables associated with self-pay payments, the Hospital records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

At the Hospital's year-end, a cost report 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 program. The Medicare program cost reports have been audited through December 31, 2017 with immaterial differences reflected as deductions from revenue in 2021 and 2020. Amounts from unresolved cost reports through 2021 are reflected in estimated third-party payor settlements on the balance sheets. Also, included in estimated third-party payor settlements on the balance sheets is approximately \$1,712,000 and \$8,564,000 received for Medicare accelerated payments at December 31, 2021 and 2020, respectively. The Medicare accelerated payments began being repaid during 2021 with the remaining amount to be repaid in 2022. The Hospital has also recorded a liability in estimated third-party payor settlements of approximately \$6,971,000 and \$4,749,000 at December 31, 2021 and 2020, respectively, related to a chargemaster audit by a commercial payor. The estimated liability reflects the difference between interim reimbursement and reimbursement as determined by the chargemaster audit. These liabilities are partially offset by estimated third party settlement receivables on the balance sheets.

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# HENRY COMMUNITY HEALTH

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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Accounts receivable for patients, insurance companies, and governmental agencies are based on gross charges net of an allowance for contractual adjustments. The allowance for contractual adjustments is based on expected payment rates from payors based on current reimbursement methodologies. In addition, management estimates an allowance for uncollectible patient accounts receivable based on an evaluation of historical losses, current economic conditions, and other factors unique to the Hospital's patient base.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount.

### Supplies and Other Current Assets

Supplies and other current assets consist primarily of drug and medical supply inventories, prepaid expenses, other reimbursement receivables related to long-term care services and various other current items. These assets are classified as current as they are expected to be utilized within the next fiscal year. Supplies and other current assets consist of the following at December 31, 2021 and 2020:

	2021	2020
Drug and medical supply inventories	\$ 1,833,750	\$ 1,726,506
Prepaid expenses	1,140,429	1,213,333
Receivables related to long-term care	4,685,954	23,145,619
Other	2,224,150	3,470,631
	<u>\$ 9,884,283</u>	<u>\$ 29,556,089</u>

### Inventories

Pharmaceutical inventories are valued at the lower of cost or market with cost being determined on the first-in, first-out (FIFO) method while medical and all other supplies are priced using the last-in, first-out (LIFO) method.

### Assets Whose Use Is Limited and Investments

Assets whose use is limited and investments are stated at fair value in the financial statements. These assets include investments internally designated by the Hospital Board for acquisition of property and equipment and debt service and donor restricted funds. These investments consist primarily of money market deposit accounts, money market mutual funds, mutual funds, and common stocks. Investment income is reported as nonoperating income in the statements of operations and changes in net position.

# HENRY COMMUNITY HEALTH

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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### Capital Assets

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 \$1,000 and meet certain useful life thresholds. 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.

All capital assets, other than land, are depreciated using the straight-line method of depreciation using these asset lives:

Description	Range of Useful Lives
Land improvements	5 - 30 years
Buildings and fixed equipment	3 - 50 years
Major movable equipment	3 - 20 years

### Other Assets

Other assets consist primarily of the value of the split dollar life insurance policy on a key employee and investments in affiliates. See notes 11 and 15 for further information.

### Investments in Affiliates

The Hospital has equity interests in joint ventures. These investments are recorded on the equity and cost methods of accounting in the Hospital's financial statements. These balances are included within other assets on the balance sheets. See note 15 for further information.

### Compensated Absences

Regular employees of the Hospital earn paid days off (PDO) at rates of twenty-three days to thirty-nine days per year, based on the length of continuous employment and regular hours worked. PDO is adjusted proportionately to hours worked for employees working less than full time. No limit exists on the amount of PDO that may be accumulated. Accrued PDO is paid to employees who resign, giving a two-week notice or in the event of death. All employees may elect to be paid for PDO accumulated in excess of ten days. This option is available twice during the calendar year. The Hospital tracks the PDO accrual computed on the hourly rate and PDO balance per employee, and the financial statements recognize this liability. Accumulated PDO is reported as a current liability in the approximate amount of \$3,824,000 and \$3,485,000 for 2021 and 2020, respectively, and is included within accrued wages and related liabilities in the balance sheets.

# HENRY COMMUNITY HEALTH

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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### Other Long-Term Liabilities

Other long-term liabilities consist of the deferred liability for the salary continuation plan for a key employee that is due in over one year.

### 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 revenue bond indentures. 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.

### 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.

### 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 payments for Indiana inpatient providers. 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.

During 2021 and 2020, the Hospital recognized HAF Program expense of approximately \$4,440,000 and \$3,720,000, respectively, which resulted in increased Medicaid reimbursement.

# HENRY COMMUNITY HEALTH

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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### Operating Revenues and Expenses

The Hospital's statement of operations and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing healthcare services—the Hospital's principal activity. Nonoperating revenues include Coronavirus (COVID-19) grant funds, contributions received, and other nonoperating activities. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs.

### 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; medical malpractice; and employee health, dental, and accident benefits.

Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

### Federal or State Income Taxes

HCMH is a governmental instrumentality organized under Title 16, Article 12, of the Indiana statutes. HCMH 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, HCMH is not required to file Federal Form 990 – Return of Organization Exempt from Income Tax, which is an informational return only.

The Foundation is organized as a not-for-profit corporation under Section 501(c)(3) of the United States Internal Revenue Code. As such, the Foundation is generally exempt from income taxes. However, the Foundation is required to file Federal Form 990 – Return of Organization Exempt from Income Tax, which is an informational return only. The Foundation has filed its 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).

DMC is a for-profit organization incorporated in 1985 and the sole shareholder is HCMH. DMC has filed its federal and state income tax returns for periods through December 31, 2020. These income tax returns are generally open to examination by 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).



# HENRY COMMUNITY HEALTH

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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DMC has federal net operating loss carry forwards to reduce future taxable income of approximately \$82,160,000, and a similar amount for state income taxes as of December 31, 2021. Including valuation allowances, DMC has a net deferred tax asset of \$-0- for 2021 and 2020. These federal and state carry forwards begin to expire in 2023. The valuation allowance is established to reduce the deferred tax asset to the amount expected to be realized when it is more likely than not that all or some portion of the deferred tax asset will not be realized.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by HCMH, Foundation, and DMC 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 DMC are subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

### 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 the 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 \$1,218,000 and \$1,263,000, respectively.

Of the Hospital's total expenses reported, an estimated \$705,000 and \$777,000 arose from providing services to charity patients during the years ended December 31, 2021 and December 31, 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) divided by gross patient service revenue.

### 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.

# HENRY COMMUNITY HEALTH

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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### Reclassifications

Certain amounts from 2020 have been reclassified in order to conform to the 2021 presentation. There were no changes to net position as a result of these reclassifications, 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 were available to be issued, which is May 12, 2022.

### Recently Issued Accounting Standard

In June 2017, the Governmental Accounting Standards Board (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. The Hospital is presently evaluating the impact of this standard on its future financial statements.

## **2. CHANGE IN ACCOUNTING PRINCIPLE**

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.

# HENRY COMMUNITY HEALTH

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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### 3. ACCOUNTS RECEIVABLE AND PAYABLE

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

	2021	2020
Patient accounts receivable		
Receivable from patients and their insurance carriers	\$ 35,469,923	\$ 30,045,843
Receivable from Medicare	31,827,133	22,795,683
Receivable from Medicaid	15,431,551	13,007,550
Total patient accounts receivable	82,728,607	65,849,076
Less contractual allowances	(37,781,163)	(28,008,342)
Less allowances for uncollectible accounts	(7,027,944)	(6,653,916)
Patient accounts receivable, net	<u>\$ 37,919,500</u>	<u>\$ 31,186,818</u>
Accounts payable and accrued expenses		
Payable to employees (including payroll taxes)	\$ 7,459,490	\$ 5,619,035
Payable to suppliers and management companies	52,506,864	68,586,062
Accrued employee health benefit claims	983,945	705,079
Total accounts payable and accrued expenses	<u>\$ 60,950,299</u>	<u>\$ 74,910,176</u>

### 4. ASSETS WHOSE USE IS LIMITED

Assets that are required for obligations classified as current liabilities are reported in current assets. The composition of assets whose use is limited on December 31 is as follows:

	2021	2020
Internally designated		
Funded depreciation		
Investments	\$ 21,508,413	\$ 12,862,838
Money market mutual funds	401,062	38,098
Donor restricted assets		
Investments	<u>1,457,160</u>	<u>1,331,766</u>
Total assets limited to use	<u>\$ 23,366,635</u>	<u>\$ 14,232,702</u>

### 5. 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 Indiana Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

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# HENRY COMMUNITY HEALTH

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Net realized gains and losses on security transactions are determined on the specific identification cost basis. Funded depreciation investments consist of cash equivalents, mutual funds, and common stocks.

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					
Carrying Amount	Investment Maturities (in years)				More than 10
	Less than 1	1-5	6-10	-0-	
Mutual funds	\$ 62,053,854	\$ 62,053,854	\$ -0-	\$ -0-	\$ -0-
Common stocks	89,819	89,819	-0-	-0-	-0-
Money market mutual funds	401,062	401,062	-0-	-0-	-0-
	\$ 62,544,735	\$ 62,544,735	\$ -0-	\$ -0-	\$ -0-

December 31, 2020					
Carrying Amount	Investment Maturities (in years)				More than 10
	Less than 1	1-5	6-10	-0-	
Mutual funds	\$ 49,098,951	\$ 49,098,951	\$ -0-	\$ -0-	\$ -0-
Common stocks	85,251	85,251	-0-	-0-	-0-
Money market mutual funds	38,098	38,098	-0-	-0-	-0-
	\$ 49,222,300	\$ 49,222,300	\$ -0-	\$ -0-	\$ -0-

**Interest rate risk** – The Hospital does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

**Credit risk** – The Hospital's investment policy authorizes it to invest in interest bearing deposit accounts, passbook savings accounts, certificates of deposit, money market deposit accounts, mutual funds, pooled fund investments, securities backed by the full faith and credit of the United States Treasury and repurchase agreements. The policy also requires that repurchase agreements be fully collateralized by U.S. Government or U.S. Government Agency obligations.

**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.

# HENRY COMMUNITY HEALTH

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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

	2021	2020
Carrying amount		
Deposits	\$ 64,650,377	\$ 70,954,733
Investments	62,544,735	49,222,300
	<u>\$ 127,195,112</u>	<u>\$ 120,177,033</u>
Included in the balance sheet captions		
Cash and money market deposit accounts	\$ 60,989,900	\$ 69,521,293
Investments	42,838,577	36,423,038
Assets whose whose is limited		
- Internally designated	21,909,475	12,900,936
By donor - expendable - for capital acquisition	1,457,160	1,331,766
	<u>\$ 127,195,112</u>	<u>\$ 120,177,033</u>

Investment income for 2021 and 2020 is summarized as follows:

	2021	2020
Unrealized gains (losses)	\$ (2,900,614)	\$ 4,998,927
Realized gains	5,882,340	60,558
Interest and dividends	1,450,555	1,021,503
Total investment income	<u>\$ 4,432,281</u>	<u>\$ 6,080,988</u>

## 6. 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.

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.

# HENRY COMMUNITY HEALTH

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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:

- *Common stocks*: Valued at the closing price reported on the active market on which the individual securities are traded.
- *Mutual funds*: Valued at the daily closing price as reported by the fund. Mutual 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 net asset value (NAV) and to transact at that price. The mutual funds held by the Hospital are deemed to be actively traded.
- *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.

Assets measured at fair value on a recurring basis as of December 31, 2021 are as follows:

	December 31, 2021			
	Total	Level 1	Level 2	Level 3
Assets				
Investments & assets whose use is limited				
Mutual funds:				
Diversified emerging markets	\$ 991,993	\$ 991,993	\$ -0-	\$ -0-
Foreign large blend	1,494,544	1,494,544	-0-	-0-
High yield bond	805,671	805,671	-0-	-0-
Intermediate-term bond	6,786,651	6,786,651	-0-	-0-
Large blend	3,507,703	3,507,703	-0-	-0-
Large growth	15,145,138	15,145,138	-0-	-0-
Mid growth	1,535,669	1,535,669	-0-	-0-
Multisector bond	4,449,097	4,449,097	-0-	-0-
Small blend	3,222,400	3,222,400	-0-	-0-
Small value	2,803,992	2,803,992	-0-	-0-
Other	21,310,996	21,310,996	-0-	-0-
Money market mutual funds	401,062	-0-	401,062	-0-
Common stocks:				
Services	5,029	5,029	-0-	-0-
Technology	21,185	21,185	-0-	-0-
Other	63,605	63,605	-0-	-0-
Total	62,544,735	\$ 62,143,673	\$ 401,062	\$ -0-
Money market deposit accounts	3,660,477			
Total investments & assets whose use is limited	\$ 66,205,212			

# HENRY COMMUNITY HEALTH

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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

	December 31, 2020			
	Total	Level 1	Level 2	Level 3
<b>Assets</b>				
Investments & assets whose use is limited				
Mutual funds:				
Diversified emerging markets	\$ 591,185	\$591,185	\$ -0-	\$ -0-
Foreign large blend	891,745	891,745	-0-	-0-
High yield bond	711,313	711,313	-0-	-0-
Intermediate-term bond	5,766,180	5,766,180	-0-	-0-
Large blend	3,801,621	3,801,621	-0-	-0-
Large growth	17,286,066	17,286,066	-0-	-0-
Mid growth	2,239,342	2,239,342	-0-	-0-
Multisector bond	13,033,123	13,033,123	-0-	-0-
Small blend	1,877,955	1,877,955	-0-	-0-
Small value	2,526,006	2,526,006	-0-	-0-
Other	374,415	374,415	-0-	-0-
Money market mutual funds	38,098	-0-	38,098	-0-
Common stocks:				
Services	4,764	4,764	-0-	-0-
Technology	23,259	23,259	-0-	-0-
Other	57,228	57,228	-0-	-0-
Total	49,222,300	\$ 49,184,202	\$ 38,098	\$ -0-
Money market deposit accounts	1,433,440			
Total investments & assets whose use is limited	\$ 50,655,740			

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.

# HENRY COMMUNITY HEALTH

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

### 7. CAPITAL ASSETS

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

	Balance December 31, 2020	Additions	Retirements	Transfers	Balance December 31, 2021
Land	\$ 4,451,574	\$ -0-	\$ -0-	\$ -0-	\$ 4,451,574
Land improvements	3,043,717	65,841	(650,028)	-0-	2,459,530
Buildings and improvements	78,717,179	1,216,686	(2,255,684)	-0-	77,678,181
Fixed equipment	22,759,639	182,844	(974,514)	-0-	21,967,969
Major equipment	50,236,286	4,367,026	(1,611,573)	6,253	52,997,992
Construction in progress	51,701	1,742,530	-0-	(6,253)	1,787,978
<b>Total capital assets</b>	<b>159,260,096</b>	<b>7,574,927</b>	<b>(5,491,799)</b>	<b>-0-</b>	<b>161,343,224</b>
Less accumulated depreciation:					
Land improvements	(2,186,238)	(68,449)	650,028	-0-	(1,604,659)
Buildings and improvements	(46,501,362)	(3,257,779)	2,368,070	-0-	(47,391,071)
Fixed equipment	(13,029,348)	(791,856)	972,824	-0-	(12,848,380)
Major equipment	(27,783,168)	(3,583,221)	1,477,524	-0-	(29,888,865)
<b>Total accumulated depreciation</b>	<b>(89,500,116)</b>	<b>(7,701,305)</b>	<b>5,468,446</b>	<b>-0-</b>	<b>(91,732,975)</b>
<b>Capital assets, net</b>	<b>\$ 69,759,980</b>	<b>\$ (126,378)</b>	<b>\$ (23,353)</b>	<b>\$ -0-</b>	<b>\$ 69,610,249</b>

  

	Balance December 31, 2019	Additions	Retirements	Transfers	Balance December 31, 2020
Land	\$2,453,234	\$ 1,998,340	\$ -0-	\$ -0-	\$ 4,451,574
Land improvements	2,950,686	98,031	(5,000)	-0-	3,043,717
Buildings and improvements	75,627,637	2,885,894	(279,140)	482,788	78,717,179
Fixed equipment	18,029,130	295,184	(156,853)	4,592,178	22,759,639
Major equipment	46,179,148	4,253,438	(1,068,598)	872,298	50,236,286
Construction in progress	3,314,300	2,684,665	-0-	(5,947,264)	51,701
<b>Total capital assets</b>	<b>148,554,135</b>	<b>12,215,552</b>	<b>(1,509,591)</b>	<b>-0-</b>	<b>159,260,096</b>
Less accumulated depreciation:					
Land improvements	(2,121,222)	(70,016)	5,000	-0-	(2,186,238)
Buildings and improvements	(43,309,775)	(3,411,069)	219,482	-0-	(46,501,362)
Fixed equipment	(12,604,104)	(582,097)	156,853	-0-	(13,029,348)
Major equipment	(25,635,825)	(3,267,643)	1,120,300	-0-	(27,783,168)
<b>Total accumulated depreciation</b>	<b>(83,670,926)</b>	<b>(7,330,825)</b>	<b>1,501,635</b>	<b>-0-</b>	<b>(89,500,116)</b>
<b>Capital assets, net</b>	<b>\$ 64,883,209</b>	<b>\$ 4,884,727</b>	<b>\$ (7,956)</b>	<b>\$ -0-</b>	<b>\$ 69,759,980</b>

The Hospital did not have any significant outstanding commitments related to construction in progress as of December 31, 2021.



# HENRY COMMUNITY HEALTH

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

### 8. LONG-TERM DEBT

During March 2015, the Hospital borrowed \$18,000,000 from the Indiana Financing Authority (the Authority) and issued Health Facility Revenue Bonds Series 2015 (Series 2015 Bonds) to refund the Series 2009 and Series 2012 bonds. The Series 2015 Bonds bear interest at rates as determined by daily, weekly, flexible, semiannual, or fixed modes, which was 1.24% and 1.27% as of December 31, 2021 and 2020, respectively.

The Hospital and Authority then entered into an agreement with a Regions bank (Regions) whereby Regions purchased from the Authority all the Series 2015 Bonds in a private placement. The agreement provided that Regions would hold the Series 2015 Bonds during the Bank Purchase Mode Period, which runs through March 2030. The Series 2015 Bonds are a direct placement with Regions. During the Bank Purchase Mode Period, the Series 2015 Bonds would bear interest at the Bank Purchase Rate (1.17% plus 67% of 1M BBA LIBOR), reset monthly, with principal and interest payments determined using a 15-year amortization schedule. The Series 2015 bonds are collateralized by Hospital revenues. Annual bond payments for the 2015 bonds commenced during March 2016 and continue through March 2030 ranging from approximately \$961,000 to \$1,469,000.

During 2018, the Hospital borrowed approximately \$1,599,000 related to a capital lease obligation. The capital lease obligation, at an imputed interest rate of 1.65%, is collateralized by leased equipment with a net book value of approximately \$452,000 and \$772,000 as of December 31, 2021 and 2020, respectively. The cost of the equipment was approximately \$1,599,000 and accumulated depreciation of the equipment was approximately \$1,147,000 and \$827,000 as of December 31, 2021 and 2020.

A summary of long-term debt borrowings, payments, and balances at and for the years ended December 31 follows:

	Balance December 31, 2020	Additional borrowings	Payments	Balance December 31, 2021	Current portion	Long-term portion
Demand Revenue Bonds, Direct placement - Series 2015	\$ 12,878,085	\$ -0-	\$ 1,121,085	\$ 11,757,000	\$ 1,155,000	\$ 10,602,000
Capital lease	655,024	-0-	324,791	330,233	330,233	-0-
	<u>\$ 13,533,109</u>	<u>\$ -0-</u>	<u>\$ 1,445,876</u>	<u>\$ 12,087,233</u>	<u>\$ 1,485,233</u>	<u>\$ 10,602,000</u>

	Balance December 31, 2019	Additional borrowings	Payments	Balance December 31, 2020	Current portion	Long-term portion
Demand Revenue Bonds, Direct placement - Series 2015	\$ 13,965,000	\$ -0-	\$ 1,086,915	\$ 12,878,085	\$ 1,121,000	\$ 11,757,085
Capital lease	974,716	-0-	319,692	655,024	324,876	330,148
	<u>\$ 14,939,716</u>	<u>\$ -0-</u>	<u>\$ 1,406,607</u>	<u>\$ 13,533,109</u>	<u>\$ 1,445,876</u>	<u>\$ 12,087,233</u>

# HENRY COMMUNITY HEALTH

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

The Hospital is also required to meet certain financial and affirmative covenants. One of these covenants requires that the Hospital maintain a minimum of \$9.2 million in cash and investments with Regions. The Hospital believes it is in compliance with all covenants as of December 31, 2021 and 2020. If the Hospital was to be in default under the agreement, the interest rate on the 2015 Series Bonds could be increased to the lesser of 1M BBA LIBOR plus 5% or the highest rate allowable by law.

The 2015 Series Bonds can be optionally redeemed early by the Hospital. If they are redeemed early, the Hospital must pay a premium from between 100.5% and 102% of the outstanding balance on the 2015 Series Bonds, dependent on the amount of time outstanding until maturity.

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

<u>Years Ending December 31,</u>	Direct placement		Capital lease	
	Principal	Interest	Principal	Interest
2022	1,155,000	176,355	330,233	6,298
2023	1,191,000	159,030	-0-	-0-
2024	1,225,000	141,165	-0-	-0-
2025	1,264,000	122,790	-0-	-0-
2026	1,303,000	103,830	-0-	-0-
2027	1,342,000	84,285	-0-	-0-
2028-2030	4,277,000	129,600	-0-	-0-
	<u>\$ 11,757,000</u>	<u>\$ 917,055</u>	<u>\$ 330,233</u>	<u>\$ 6,298</u>

### 9. NET PATIENT SERVICE REVENUE

Patient service revenue for 2021 and 2020 consists of the following:

	2021	2020
Inpatient services	\$ 87,499,072	\$ 78,440,639
Outpatient services	323,734,820	257,432,403
Long term care	202,836,112	200,768,571
Gross patient service revenue	<u>614,070,004</u>	<u>536,641,613</u>
Contractual allowances	261,440,386	224,794,529
Bad debts	7,272,216	8,706,480
Charity care	1,218,110	1,262,734
Deductions from revenue	<u>269,930,712</u>	<u>234,763,743</u>
Net patient service revenue	<u>\$ 344,139,292</u>	<u>\$ 301,877,870</u>

# HENRY COMMUNITY HEALTH

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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The Board of Directors approves the fee schedule, which is administered with the expectation that clients are to pay for services at a rate commensurate with their ability to pay. No clients will be refused services because of their inability to pay. Essentially, the Hospital's policies define charity services as those services for which a discounted obligation for payment is anticipated. In assessing a client's inability to pay, the Hospital uses an ability-to-pay schedule based on income and dependents. The Hospital also adjusts charges based on contractual agreements with third-party payors. The Hospital maintains records to identify and monitor the level of charges foregone for services furnished under charity care policy and contractual adjustments. The Hospital has agreements with third-party payors including Medicare, Medicaid and the State of Indiana and other commercial insurance carriers that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors 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

Reimbursement for Medicaid services are paid at prospectively determined rates per discharge or per occasion of service.

### 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.

# HENRY COMMUNITY HEALTH

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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### **10. RETIREMENT PLANS**

#### Plan Descriptions

The Hospital has three defined contribution pension plans: Henry County Memorial Hospital Employees' Pension Plan (Pension Plan), the Henry County Memorial Hospital 403(b) Plan (403(b) Plan), and the Henry County Memorial Hospital Eligible 457 Deferred Compensation Plan (457 Plan), as authorized by Indiana Code 16-22-3-11. The plans are administered by the Hospital and cover all employees who meet eligibility requirements as to age and length of service. The plans provide retirement, disability, and death benefits to plan members and beneficiaries. The plan's provisions and contribution requirements were established by written agreement between the Hospital's Board of Trustees, Meridian Investment Advisors, Inc., Nyhart, Lincoln Financial Group, Shoreline Asset Management, and Fidelity Brokerage Services, LLC (Plan Administrators). The Plan Administrators issue publicly available financial reports that include the financial statements and required supplementary information of the plans. The reports are available by contacting the Hospital's accounting department.

#### Funding Policy

The contribution requirements of plan members are established by the written agreement between the Hospital's Board of Trustees and the Plan Administrators. The Hospital is required to contribute to the Pension Plan at the Board approved rate. The Hospital is not permitted to contribute to the 403(b) Plan or the 457 Plan.

The Hospital contributes 4% of an eligible employee's wages and matches 50% of an employee's contribution to the plan up to 2% of their wages to the Pension Plan. Hospital contributions to the Pension Plan for 2021 and 2020 were approximately \$2,546,000 and \$2,516,000, respectively.

### **11. SPLIT-DOLLAR LIFE INSURANCE POLICY**

The Hospital has a Split-Dollar Life Insurance Agreement (the Agreement) for a key employee that is recorded at contract value in other assets at approximately \$3,029,000 and \$2,934,000 as of December 31, 2021 and 2020, respectively. The Hospital is the sole and absolute owner of the related life insurance policy. The Agreement was used to fund a supplemental retirement benefit plan. In the event the employee remains employed by the Hospital at least until reaching sixty-five years of age, or as is otherwise provided in the Agreement, beginning with the retirement date, the Hospital will pay an annual benefit, as is stipulated in the Agreement until the death of the employee. An annual expense is recorded for the death benefit and the salary continuation components of the agreement.

# HENRY COMMUNITY HEALTH

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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### **12. 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 \$300,000 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 \$11,122,000 and \$9,940,000 for the years ended December 31, 2021 and 2020, respectively.

### **13. NET POSITION RESTRICTED BY DONOR**

Net position restricted by donor of approximately \$1,457,000 and \$1,332,000 at December 31, 2021 and 2020, respectively, consist of donor-restricted funds held by the Foundation primarily for Hospital construction projects.

### **14. MALPRACTICE INSURANCE**

The Hospital has a self-insurance plan for professional liability insurance. A third-party claims administrator has been retained to process all benefit claims. Claims are processed and presented for payment upon occurrence. The Hospital makes periodic deposits into a trust fund for the proper administration and protection of the fund.

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 (\$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.

The Hospital is a member in a captive insurance company, Suburban Health Organization Segregated Portfolio Company, LLC, to fund the Hospital's required portion of the professional and physician insurance coverage pursuant to the Act as well as its general liability insurance and excess coverage.

# HENRY COMMUNITY HEALTH

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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### 15. INVESTMENTS IN AFFILIATES

The Hospital purchased a 1% ownership in St. Vincent Heart Center of Indiana, LLC (Heart Center) during 2017 for approximately \$2,557,000 and has a 1% ownership in the Heart Center at December 31, 2020 and 2021, respectively. The Hospital has accounted for this investment under the cost method of accounting and assesses the investment for impairment on an annual basis. As of December 31, 2020 and 2021, the investment was not deemed to be impaired. The investment is included in other assets on the balance sheets.

The Hospital has investments in other joint ventures included within other assets in the balance sheets, which are immaterial to the financial statements as a whole.

Separate financial statements related to these joint ventures may be obtained by contacting Hospital management.

### 16. 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
Self pay	6%	8%	11%	7%
Medicare and Medicaid	58%	54%	64%	71%
Other commercial	36%	38%	25%	22%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

# HENRY COMMUNITY HEALTH

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

### 17. BLENDED COMPONENT UNITS

The Hospital's financial statements include the accounts of its blended component units, DMC and the Foundation. Separate financial statements related to the individual component units may be obtained by contacting Hospital management. The following is a summary of the financial position of DMC and the Foundation as of December 31, 2021, and a summary of the related statements of operations, changes in net position, and cash flows for the year then ended:

	DMC	Foundation	Total
<b>Assets:</b>			
Cash and money market deposit accounts	\$ 170,387	\$ 1,176,124	\$ 1,346,511
Patient accounts receivable, net	2,060,598	-0-	2,060,598
Supplies and other current assets	620,739	782,508	1,403,247
Due from Hospital	7,095	-0-	7,095
Total current assets	<u>2,858,819</u>	<u>1,958,632</u>	<u>4,817,451</u>
Investments	-0-	42,838,577	42,838,577
Assets whose use is limited - by donor	-0-	1,457,160	1,457,160
Capital assets, net	248,591	27,180,951	27,429,542
Other assets	38,837	-0-	38,837
Total assets	<u>\$ 3,146,247</u>	<u>\$ 73,435,320</u>	<u>\$ 76,581,567</u>
<b>Liabilities:</b>			
Current portion of long-term debt	\$ -0-	\$ 87,780	\$ 87,780
Accounts payable and accrued expenses	854,003	925,200	1,779,203
Due to Hospital	85,573,422	3,271,459	88,844,881
Total current liabilities	<u>86,427,425</u>	<u>4,284,439</u>	<u>90,711,864</u>
Long-term debt, net of current portion	-0-	805,752	805,752
Total liabilities	<u>86,427,425</u>	<u>5,090,191</u>	<u>91,517,616</u>
<b>Net position</b>			
Unrestricted net position (deficit)	(83,529,769)	40,600,550	(42,929,219)
Net investment in capital assets	248,591	26,287,419	26,536,010
Restricted by donor for capital acquisition	-0-	1,457,160	1,457,160
Total net position	<u>(83,281,178)</u>	<u>68,345,129</u>	<u>(14,936,049)</u>
Total liabilities and net position	<u>\$ 3,146,247</u>	<u>\$ 73,435,320</u>	<u>\$ 76,581,567</u>

# HENRY COMMUNITY HEALTH

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

	DMC	Foundation	Total
<b>Operating revenues</b>			
Net patient service revenue	\$ 17,600,521	\$ 1,388,315	\$ 18,988,836
Other revenue	-0-	4,076,237	4,076,237
Total operating revenues	<u>17,600,521</u>	<u>5,464,552</u>	<u>23,065,073</u>
<b>Operating expenses</b>			
Salaries and benefits	13,478,219	218,632	13,696,851
Purchased services	3,838,480	675,228	4,513,708
Medical supplies and drugs	8,266,947	-0-	8,266,947
Other supplies	-0-	32,396	32,396
Depreciation and amortization	41,705	953,267	994,972
Utilities	93,966	390,911	484,877
Rent	620,515	-0-	620,515
Other	660,239	1,183,361	1,843,600
Total operating expenses	<u>27,000,071</u>	<u>3,453,795</u>	<u>30,453,866</u>
Gain (loss) from operations	(9,399,550)	2,010,757	(7,388,793)
<b>Non-operating revenues (expenses)</b>			
Investment income	97	3,296,020	3,296,117
Interest expense	(46,872)	11,560	(35,312)
Other nonoperating	-0-	57,466	57,466
Total nonoperating revenues (expenses)	<u>(46,775)</u>	<u>3,365,046</u>	<u>3,318,271</u>
Change in net position (deficit)	(9,446,325)	5,375,803	(4,070,522)
Net position - beginning of year	(73,834,853)	62,969,326	(10,865,527)
Net position - end of year	<u>\$ (83,281,178)</u>	<u>\$ 68,345,129</u>	<u>\$ (14,936,049)</u>
<b>Cash flows from activities</b>			
Operating	\$ (77,418)	\$ 5,236,848	\$ 5,159,430
Capital and related financing	(46,872)	(1,369,734)	(1,416,606)
Investing	97	(960,410)	(960,313)
Net change in cash and money market deposit accounts	<u>(124,193)</u>	<u>2,906,704</u>	<u>2,782,511</u>
Cash - beginning of year	294,580	1,929,897	2,224,477
Cash - end of year	<u>\$ 170,387</u>	<u>\$ 4,836,601</u>	<u>\$ 5,006,988</u>
<b>Reconciliation of cash and money market deposit accounts to the balance sheet</b>			
Cash and money market deposit accounts			
In current assets	\$ 170,387	\$ 1,176,124	\$ 1,346,511
In investments	-0-	3,660,477	3,660,477
Total cash and money market deposit accounts	<u>\$ 170,387</u>	<u>\$ 4,836,601</u>	<u>\$ 5,006,988</u>



# HENRY COMMUNITY HEALTH

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

The following is a summary of the financial position of DMC and the Foundation as of December 31, 2020, and a summary of the related statements of operations, changes in net position, and cash flows for the year then ended:

	DMC	Foundation	Total
<b>Assets:</b>			
Cash and money market deposit accounts	\$ 294,580	\$ 496,457	\$ 791,037
Patient accounts receivable, net	1,835,586	-0-	1,835,586
Supplies and other current assets	567,828	1,581,879	2,149,707
Due from Hospital	11,336	-0-	11,336
Total current assets	2,709,330	2,078,336	4,787,666
Investments	-0-	36,423,038	36,423,038
Assets whose use is limited - by donor	-0-	1,331,766	1,331,766
Capital assets, net	290,296	26,838,120	27,128,416
Other assets	38,837	-0-	38,837
Total assets	\$ 3,038,463	\$ 66,671,260	\$ 69,709,723
<b>Liabilities:</b>			
Current portion of long-term debt	\$ -0-	\$ 85,196	\$ 85,196
Accounts payable and accrued expenses	719,557	208,564	928,121
Due to Hospital	76,153,759	2,514,642	78,668,401
Total current liabilities	76,873,316	2,808,402	79,681,718
Long-term debt, net of current portion	-0-	893,532	893,532
Total liabilities	76,873,316	3,701,934	80,575,250
<b>Net position</b>			
Unrestricted net position (deficit)	(74,125,149)	35,778,168	(38,346,981)
Net investment in capital assets	290,296	25,859,392	26,149,688
Restricted by donor for capital acquisition	-0-	1,331,766	1,331,766
Total net position	(73,834,853)	62,969,326	(10,865,527)
Total liabilities and net position	\$ 3,038,463	\$ 66,671,260	\$ 69,709,723

# HENRY COMMUNITY HEALTH

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

	DMC	Foundation	Total
Operating revenues			
Net patient service revenue	\$ 16,571,231	\$ 1,212,280	\$ 17,783,511
Other revenue	-0-	3,905,585	3,905,585
Total operating revenues	<u>16,571,231</u>	<u>5,117,865</u>	<u>21,689,096</u>
Operating expenses			
Salaries and benefits	13,439,002	488,658	13,927,660
Purchased services	3,579,012	365,647	3,944,659
Medical supplies and drugs	7,860,582	-0-	7,860,582
Other supplies	-0-	31,206	31,206
Depreciation and amortization	49,704	899,961	949,665
Utilities	115,723	349,171	464,894
Rent	790,646	-0-	790,646
Other	852,060	1,242,260	2,094,320
Total operating expenses	<u>26,686,729</u>	<u>3,376,903</u>	<u>30,063,632</u>
Gain (loss) from operations	(10,115,498)	1,740,962	(8,374,536)
Non-operating revenues (expenses)			
Investment income	159	4,602,685	4,602,844
Interest expense	(46,872)	(16,346)	(63,218)
COVID-19 grant funds	121,630	-0-	121,630
Other nonoperating	-0-	37,370	37,370
Total nonoperating revenues (expenses)	<u>74,917</u>	<u>4,623,709</u>	<u>4,698,626</u>
Change in net position (deficit)	(10,040,581)	6,364,671	(3,675,910)
Net position (deficit) - beginning of year	(63,794,272)	56,604,655	(7,189,617)
Net position (deficit) - end of year	<u>\$ (73,834,853)</u>	<u>\$ 62,969,326</u>	<u>\$ (10,865,527)</u>
Cash flows from activities			
Operating	\$ 97,381	\$ 2,138,312	\$ 2,235,693
Non-capital financing activities	121,630	-0-	121,630
Capital and related financing	(89,722)	(2,592,943)	(2,682,665)
Investing	159	(3,916,069)	(3,915,910)
Net change in cash and money market deposit accounts	<u>129,448</u>	<u>(4,370,700)</u>	<u>(4,241,252)</u>
Cash - beginning of year	165,132	6,300,597	6,465,729
Cash - end of year	<u>\$ 294,580</u>	<u>\$ 1,929,897</u>	<u>\$ 2,224,477</u>
Reconciliation of cash and money market deposit accounts to the balance sheet			
Cash and money market deposit accounts			
In current assets	\$ 294,580	\$ 496,457	\$ 791,037
In investments	-0-	1,433,440	1,433,440
Total cash and money market deposit accounts	<u>\$ 294,580</u>	<u>\$ 1,929,897</u>	<u>\$ 2,224,477</u>

# HENRY COMMUNITY HEALTH

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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### **18. COVID-19**

In 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, or 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, Provider Relief Funds (PRF) authorized under the Coronavirus Aids, Relief, and Economic Security (CARES) Act were distributed to healthcare providers impacted by the outbreak of the COVID-19 pandemic. The Hospital received approximately \$9,441,000 and \$27,159,000 of these funds from the CARES Act during 2021 and 2020, respectively. PRF amounts are recognized to the extent the Hospital meets the terms and conditions. The Hospital recognized PRF of approximately \$10,832,000 and \$25,768,000 as COVID-19 grant funds in nonoperating revenue (expenses) in the statements of revenues, expenses, and changes in net position for the year ended December 31, 2021 and 2020, respectively. The Hospital deferred PRF of approximately \$-0- and \$1,391,000, which is included in accounts payable and accrued expenses in the balance sheets as of December 31, 2021 and 2020, 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.

**SUPPLEMENTARY INFORMATION**

# HENRY COMMUNITY HEALTH

## COMBINING BALANCE SHEETS DECEMBER 31, 2021

<b>ASSETS</b>	Hospital	Foundation	Diversified Management Corporation	Eliminations	Total
<b>Current assets</b>					
Cash and money market deposit accounts	\$ 59,643,389	\$ 1,176,124	\$ 170,387	\$ -0-	\$ 60,989,900
Patient accounts receivable, net	35,858,902	-0-	2,060,598	-0-	37,919,500
Supplies and other current assets	9,148,295	782,508	620,739	(667,259)	9,884,283
Due from related parties	87,347,585	-0-	7,095	(87,354,680)	-0-
Estimated third-party settlements	-0-	-0-	-0-	-0-	-0-
Current portion of assets whose use is limited	1,397,453	-0-	-0-	-0-	1,397,453
Total current assets	193,395,624	1,958,632	2,858,819	(88,021,939)	110,191,136
<b>Investments</b>	-0-	42,838,577	-0-	-0-	42,838,577
<b>Assets whose use is limited</b>					
Internally designated	21,909,475	-0-	-0-	-0-	21,909,475
By donor - expendable - for capital acquisition	-0-	1,457,160	-0-	-0-	1,457,160
	21,909,475	1,457,160	-0-	-0-	23,366,635
Less current portion	1,397,453	-0-	-0-	-0-	1,397,453
Total assets whose use is limited	20,512,022	1,457,160	-0-	-0-	21,969,182
<b>Capital assets, net</b>	42,180,707	27,180,951	248,591	-0-	69,610,249
<b>Other assets</b>	7,867,014	-0-	38,837	(1,431,413)	6,474,438
Total assets	\$ 263,955,367	\$ 73,435,320	\$ 3,146,247	\$ (89,453,352)	\$ 251,083,582

See Report of Independent Auditors on Pages 1 through 4.

# HENRY COMMUNITY HEALTH

## COMBINING BALANCE SHEETS DECEMBER 31, 2021

<b>LIABILITIES AND NET POSITION</b>	Hospital	Foundation	Diversified Management Corporation	Eliminations	Total
<b>Current liabilities</b>					
Current portion of long-term debt	\$ 1,397,453	\$ 87,780	\$ -0-	\$ -0-	\$ 1,485,233
Accounts payable and accrued expenses	52,211,132	925,200	854,003	(1,483,471)	52,506,864
Accrued wages and related liabilities	8,443,435	-0-	-0-	-0-	8,443,435
Estimated third-party settlements	5,787,499	-0-	-0-	-0-	5,787,499
Due to related parties	(875,000)	3,271,459	85,573,422	(87,969,881)	-0-
<b>Total current liabilities</b>	<b>66,964,519</b>	<b>4,284,439</b>	<b>86,427,425</b>	<b>(89,453,352)</b>	<b>68,223,031</b>
<b>Other long-term liabilities</b>	1,286,151	-0-	-0-	-0-	1,286,151
<b>Long-term debt, net of current portion</b>	9,796,248	805,752	-0-	-0-	10,602,000
<b>Total liabilities</b>	<b>78,046,918</b>	<b>5,090,191</b>	<b>86,427,425</b>	<b>(89,453,352)</b>	<b>80,111,182</b>
<b>Net position</b>					
Unrestricted	154,921,443	40,600,550	(83,529,769)	-0-	111,992,224
Net investment in capital assets	30,987,006	26,287,419	248,591	-0-	57,523,016
Restricted					
By donor - expendable - for capital acquisition	-0-	1,457,160	-0-	-0-	1,457,160
<b>Total net position</b>	<b>185,908,449</b>	<b>68,345,129</b>	<b>(83,281,178)</b>	<b>-0-</b>	<b>170,972,400</b>
<b>Total liabilities and net position</b>	<b>\$ 263,955,367</b>	<b>\$ 73,435,320</b>	<b>\$ 3,146,247</b>	<b>\$ (89,453,352)</b>	<b>\$ 251,083,582</b>

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## HENRY COMMUNITY HEALTH

### COMBINING STATEMENTS OF OPERATIONS AND CHANGES IN NET POSITION YEAR ENDED DECEMBER 31, 2021

	Hospital	Foundation	Diversified Management Corporation	Eliminations	Total
<b>Operating revenue</b>					
Net patient service revenue	\$ 325,418,038	\$ 1,388,315	\$ 17,600,521	\$ (267,582)	\$ 344,139,292
Other revenue	11,342,335	4,076,237	-0-	(4,582,610)	10,835,962
Total revenue	<u>336,760,373</u>	<u>5,464,552</u>	<u>17,600,521</u>	<u>(4,850,192)</u>	<u>354,975,254</u>
<b>Operating expenses</b>					
Salaries and benefits	73,281,862	218,632	13,478,219	(59,965)	86,918,748
Medical professional fees	1,545,061	-0-	-0-	-0-	1,545,061
Purchased services	148,060,285	675,228	3,838,480	(159,518)	152,414,475
Medical supplies and drugs	23,872,163	-0-	8,266,947	(179,724)	31,959,386
Other supplies	13,765,950	32,396	-0-	-0-	13,798,346
Depreciation and amortization	6,706,333	953,267	41,705	-0-	7,701,305
Utilities	5,335,955	390,911	93,966	-0-	5,820,832
Rent	19,723,958	-0-	620,515	(3,004,187)	17,340,286
Hospital assessment fee	4,439,867	-0-	-0-	-0-	4,439,867
Other	33,391,480	1,183,361	660,239	(1,446,798)	33,788,282
Total expenses	<u>330,122,914</u>	<u>3,453,795</u>	<u>27,000,071</u>	<u>(4,850,192)</u>	<u>355,726,588</u>
Operating income (loss)	6,637,459	2,010,757	(9,399,550)	-0-	(751,334)
<b>Nonoperating revenues (expenses)</b>					
Investment income	1,183,036	3,296,020	97	(46,872)	4,432,281
Interest expense	(217,179)	11,560	(46,872)	46,872	(205,619)
COVID-19 grant funds	10,831,907	-0-	-0-	-0-	10,831,907
Other nonoperating	56,876	57,466	-0-	-0-	114,342
Total nonoperating revenues (expenses)	<u>11,854,640</u>	<u>3,365,046</u>	<u>(46,775)</u>	<u>-0-</u>	<u>15,172,911</u>
Change in net position	18,492,099	5,375,803	(9,446,325)	-0-	14,421,577
<b>Net position beginning of year</b>	<u>167,416,350</u>	<u>62,969,326</u>	<u>(73,834,853)</u>	<u>-0-</u>	<u>156,550,823</u>
<b>Net position end of year</b>	<u>\$ 185,908,449</u>	<u>\$ 68,345,129</u>	<u>\$ (83,281,178)</u>	<u>\$ -0-</u>	<u>\$ 170,972,400</u>

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# HENRY COMMUNITY HEALTH

## COMBINING STATEMENTS OF CASH FLOWS YEAR ENDED DECEMBER 31, 2021

	Hospital	Foundation	Diversified Management Corporation	Eliminations	Total
<b>Cash flows from operating activities</b>					
Cash received from patients and third party payors	\$ 309,361,622	\$ 1,388,315	\$ 17,375,509	\$ (267,582)	\$ 327,857,864
Cash paid to employees for wages and benefits	(71,162,541)	(218,632)	(13,478,219)	59,965	(84,799,427)
Cash paid to vendors for goods and services	(253,904,724)	(9,072)	(3,974,708)	3,695,806	(254,192,698)
Other operating receipts, net	11,342,335	4,076,237	-0-	(3,488,189)	11,930,383
Net cash flows from operating activities	(4,363,308)	5,236,848	(77,418)	-0-	796,122
<b>Cash flows from non-capital financing activities</b>					
COVID-19 grant funds	10,831,907	-0-	-0-	-0-	10,831,907
<b>Cash flows from capital and related financing activities</b>					
Acquisition and construction of capital assets	(6,137,689)	(1,296,098)	-0-	-0-	(7,433,787)
Loss on disposal of property and equipment	23,353	-0-	-0-	-0-	23,353
Interest on long-term debt	(217,179)	11,560	(46,872)	46,872	(205,619)
Principal payments on long-term debt, net	(1,360,680)	(85,196)	-0-	-0-	(1,445,876)
Net cash flows from capital and related financing activities	(7,692,195)	(1,369,734)	(46,872)	46,872	(9,061,929)
<b>Cash flows from investing activities</b>					
Investment income and other non-operating	1,239,912	3,353,486	97	(46,872)	4,546,623
Change in other assets, net	(94,644)	-0-	-0-	-0-	(94,644)
Purchases of investments in assets whose use is limited - internally designated and investments	(11,624,139)	(3,076,245)	-0-	-0-	(14,700,384)
Proceeds from sale of investments in assets whose use is limited - internally designated and investments	2,615,600	(1,112,257)	-0-	-0-	1,503,343
Change in assets whose use is limited - restricted by donor, net	-0-	(125,394)	-0-	-0-	(125,394)
Net cash flows from investing activities	(7,863,271)	(960,410)	97	(46,872)	(8,870,456)
Net change in cash and money market deposit accounts	(9,086,867)	2,906,704	(124,193)	-0-	(6,304,356)
<b>Cash and money market deposit accounts</b>					
Beginning of year	68,730,256	1,929,897	294,580	-0-	70,954,733
End of year	\$ 59,643,389	\$ 4,836,601	\$ 170,387	\$ -0-	\$ 64,650,377

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# HENRY COMMUNITY HEALTH

## COMBINING STATEMENTS OF CASH FLOWS YEAR ENDED DECEMBER 31, 2021

	Hospital	Foundation	Diversified Management Corporation	Eliminations	Total
<b>Reconciliation of operating income (loss) to net cash flows from operating activities</b>					
Operating income (loss)	\$ 6,637,459	\$ 2,010,757	\$ (9,399,550)	\$ -0-	\$ (751,334)
Adjustment to reconcile operating income (loss) to net cash flows from operating activities:					
Depreciation and amortization	6,706,333	953,267	41,705	-0-	7,701,305
Bad debts	7,269,555	-0-	2,661	-0-	7,272,216
Changes in assets and liabilities:					
Patient accounts receivable	(13,777,225)	-0-	(227,673)	-0-	(14,004,898)
Supplies and other current assets	19,556,873	799,371	(52,911)	(631,527)	19,671,806
Accounts payable and accrued expenses	(16,608,526)	716,636	134,446	(462,894)	(16,220,338)
Accrued salaries and related liabilities	2,119,321	-0-	-0-	-0-	2,119,321
Other long-term liabilities	116,923	-0-	-0-	-0-	116,923
Due from (to) related parties	(11,275,142)	756,817	9,423,904	1,094,421	-0-
Estimated third-party settlements	(5,108,879)	-0-	-0-	-0-	(5,108,879)
Net cash flows from operating activities	<u>\$ (4,363,308)</u>	<u>\$ 5,236,848</u>	<u>\$ (77,418)</u>	<u>\$ -0-</u>	<u>\$ 796,122</u>
<b>Reconciliation of cash and money market deposit accounts to the balance sheets</b>					
Cash and cash equivalents					
In current assets	\$ 59,643,389	\$ 1,176,124	\$ 170,387	\$ -0-	\$ 60,989,900
In investments	-0-	3,660,477	-0-	-0-	3,660,477
Total cash and cash equivalents	<u>\$ 59,643,389</u>	<u>\$ 4,836,601</u>	<u>\$ 170,387</u>	<u>\$ -0-</u>	<u>\$ 64,650,377</u>
<b>Supplemental cash flows information</b>					
Property included in accounts payable	\$ 141,140	\$ -0-	\$ -0-	\$ -0-	\$ 141,140

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## HENRY COMMUNITY HEALTH

### COMBINING BALANCE SHEETS DECEMBER 31, 2020

<b>ASSETS</b>	Hospital	Foundation	Diversified Management Corporation	Eliminations	Total
<b>Current assets</b>					
Cash and money market deposit accounts	\$ 68,730,256	\$ 496,457	\$ 294,580	\$ -0-	\$ 69,521,293
Patient accounts receivable, net	29,351,232	-0-	1,835,586	-0-	31,186,818
Supplies and other current assets	28,705,168	1,581,879	567,828	(1,298,786)	29,556,089
Due from related parties	76,947,443	-0-	11,336	(76,958,779)	-0-
Current portion of assets whose use is limited	1,360,680	-0-	-0-	-0-	1,360,680
Total current assets	205,094,779	2,078,336	2,709,330	(78,257,565)	131,624,880
<b>Investments</b>	-0-	36,423,038	-0-	-0-	36,423,038
<b>Assets whose use is limited</b>					
Internally designated	12,900,936	-0-	-0-	-0-	12,900,936
By donor - expendable - for capital acquisition	-0-	1,331,766	-0-	-0-	1,331,766
	12,900,936	1,331,766	-0-	-0-	14,232,702
Less current portion	1,360,680	-0-	-0-	-0-	1,360,680
Total assets whose use is limited	11,540,256	1,331,766	-0-	-0-	12,872,022
<b>Capital assets, net</b>	42,631,564	26,838,120	290,296	-0-	69,759,980
<b>Other assets</b>	7,772,370	-0-	38,837	(1,431,413)	6,379,794
Total assets	\$ 267,038,969	\$ 66,671,260	\$ 3,038,463	\$ (79,688,978)	\$ 257,059,714

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## HENRY COMMUNITY HEALTH

### COMBINING BALANCE SHEETS DECEMBER 31, 2020

<b>LIABILITIES AND NET POSITION</b>	Hospital	Foundation	Diversified Management Corporation	Eliminations	Total
<b>Current liabilities</b>					
Current portion of long-term debt	\$ 1,360,680	\$ 85,196	\$ -0-	\$ -0-	\$ 1,445,876
Accounts payable and accrued expenses	68,678,518	208,564	719,557	(1,020,577)	68,586,062
Accrued wages and related liabilities	6,324,114	-0-	-0-	-0-	6,324,114
Estimated third-party settlements	10,896,378	-0-	-0-	-0-	10,896,378
Due to related parties	-0-	2,514,642	76,153,759	(78,668,401)	-0-
Total current liabilities	<u>87,259,690</u>	<u>2,808,402</u>	<u>76,873,316</u>	<u>(79,688,978)</u>	<u>87,252,430</u>
<b>Other long-term liabilities</b>	1,169,228	-0-	-0-	-0-	1,169,228
<b>Long-term debt, net of current portion</b>	11,193,701	893,532	-0-	-0-	12,087,233
Total liabilities	<u>99,622,619</u>	<u>3,701,934</u>	<u>76,873,316</u>	<u>(79,688,978)</u>	<u>100,508,891</u>
<b>Net position</b>					
Unrestricted	137,339,167	35,778,168	(74,125,149)	-0-	98,992,186
Net investment in capital assets	30,077,183	25,859,392	290,296	-0-	56,226,871
Restricted					
By donor - expendable - for capital acquisition	-0-	1,331,766	-0-	-0-	1,331,766
Total net position	<u>167,416,350</u>	<u>62,969,326</u>	<u>(73,834,853)</u>	<u>-0-</u>	<u>156,550,823</u>
Total liabilities and net position	<u>\$ 267,038,969</u>	<u>\$ 66,671,260</u>	<u>\$ 3,038,463</u>	<u>\$ (79,688,978)</u>	<u>\$ 257,059,714</u>

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## HENRY COMMUNITY HEALTH

### COMBINING STATEMENTS OF OPERATIONS AND CHANGES IN NET POSITION YEAR ENDED DECEMBER 31, 2020

	Hospital	Foundation	Diversified Management Corporation	Eliminations	Total
<b>Operating revenue</b>					
Net patient service revenue	\$ 284,419,676	\$ 1,212,280	\$ 16,571,231	\$ (325,317)	\$ 301,877,870
Other revenue	6,443,533	3,905,585	-0-	(4,302,128)	6,046,990
Total revenue	<u>290,863,209</u>	<u>5,117,865</u>	<u>16,571,231</u>	<u>(4,627,445)</u>	<u>307,924,860</u>
<b>Operating expenses</b>					
Salaries and benefits	66,165,507	488,658	13,439,002	(83,785)	80,009,382
Medical professional fees	1,777,561	-0-	-0-	-0-	1,777,561
Purchased services	132,715,035	365,647	3,579,012	(160,917)	136,498,777
Medical supplies and drugs	17,878,089	-0-	7,860,582	(212,240)	25,526,431
Other supplies	14,902,441	31,206	-0-	-0-	14,933,647
Depreciation and amortization	6,381,160	899,961	49,704	-0-	7,330,825
Utilities	4,649,134	349,171	115,723	-0-	5,114,028
Rent	20,531,629	-0-	790,646	(2,898,008)	18,424,267
Hospital assessment fee	3,723,182	-0-	-0-	-0-	3,723,182
Other	32,788,537	1,242,260	852,060	(1,272,495)	33,610,362
Total expenses	<u>301,512,275</u>	<u>3,376,903</u>	<u>26,686,729</u>	<u>(4,627,445)</u>	<u>326,948,462</u>
Operating income (loss)	(10,649,066)	1,740,962	(10,115,498)	-0-	(19,023,602)
<b>Nonoperating revenues (expenses)</b>					
Investment income	1,525,016	4,602,685	159	(46,872)	6,080,988
Interest expense	(367,515)	(16,346)	(46,872)	46,872	(383,861)
COVID-19 grant funds	25,795,111	-0-	121,630		25,916,741
Other nonoperating	111,803	37,370	-0-	-0-	149,173
Total nonoperating revenues (expenses)	<u>27,064,415</u>	<u>4,623,709</u>	<u>74,917</u>	<u>-0-</u>	<u>31,763,041</u>
Change in net position	16,415,349	6,364,671	(10,040,581)	-0-	12,739,439
<b>Net position beginning of year</b>	151,001,001	56,604,655	(63,794,272)	-0-	143,811,384
<b>Net position end of year</b>	<u>\$ 167,416,350</u>	<u>\$ 62,969,326</u>	<u>\$ (73,834,853)</u>	<u>\$ -0-</u>	<u>\$ 156,550,823</u>

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# HENRY COMMUNITY HEALTH

## COMBINING STATEMENTS OF CASH FLOWS YEAR ENDED DECEMBER 31, 2020

	Hospital	Foundation	Diversified Management Corporation	Eliminations	Total
<b>Cash flows from operating activities</b>					
Cash received from patients and third party payors	\$ 296,643,278	\$ 1,212,280	\$ 18,188,614	\$ (325,317)	\$ 315,718,855
Cash paid to employees for wages and benefits	(65,519,127)	(488,658)	(13,439,002)	83,785	(79,363,002)
Cash paid to vendors for goods and services	(221,596,858)	(2,490,895)	(4,652,231)	4,780,225	(223,959,759)
Other operating receipts, net	6,443,533	3,905,585	-0-	(4,538,693)	5,810,425
Net cash flows from operating activities	15,970,826	2,138,312	97,381	-0-	18,206,519
<b>Cash flows from non-capital financing activities</b>					
COVID-19 grant funds	25,795,111	-0-	121,630	-0-	25,916,741
<b>Cash flows from capital and related financing activities</b>					
Acquisition and construction of capital assets	(9,269,283)	(2,493,985)	(42,850)	-0-	(11,806,118)
Loss on disposal of property and equipment	7,956	-0-	-0-	-0-	7,956
Interest on long-term debt	(367,515)	(16,346)	(46,872)	46,872	(383,861)
Principal payments on long-term debt, net	(1,323,995)	(82,612)	-0-	-0-	(1,406,607)
Net cash flows from capital and related financing activities	(10,952,837)	(2,592,943)	(89,722)	46,872	(13,588,630)
<b>Cash flows from investing activities</b>					
Investment income and other non-operating	1,636,819	4,640,055	159	(46,872)	6,230,161
Change in other assets, net	(114,390)	-0-	-0-	-0-	(114,390)
Purchases of investments in assets whose use is limited - internally designated and investments	(2,239,775)	(12,430,800)	-0-	-0-	(14,670,575)
Proceeds from sale of investments in assets whose use is limited - internally designated and investments	911,531	4,103,130	-0-	-0-	5,014,661
Change in assets whose use is limited - restricted by donor, net	-0-	(228,454)	-0-	-0-	(228,454)
Net cash flows from investing activities	194,185	(3,916,069)	159	(46,872)	(3,768,597)
Net change in cash and money market deposit accounts	31,007,285	(4,370,700)	129,448	-0-	26,766,033
<b>Cash and money market deposit accounts</b>					
Beginning of year	37,722,971	6,300,597	165,132	-0-	44,188,700
End of year	<u>\$ 68,730,256</u>	<u>\$ 1,929,897</u>	<u>\$ 294,580</u>	<u>\$ -0-</u>	<u>\$ 70,954,733</u>

See Report of Independent Auditors on Pages 1 through 4.

# HENRY COMMUNITY HEALTH

## COMBINING STATEMENTS OF CASH FLOWS YEAR ENDED DECEMBER 31, 2020

	Hospital	Foundation	Diversified Management Corporation	Eliminations	Total
<b>Reconciliation of operating income (loss) to net cash flows from operating activities</b>					
Operating income (loss)	\$ (10,649,066)	\$ 1,740,962	\$ (10,115,498)	\$ -0-	\$ (19,023,602)
Adjustment to reconcile operating income (loss) to net cash flows from operating activities:					
Depreciation and amortization	6,381,160	899,961	49,704	-0-	7,330,825
Bad debts	8,405,701	-0-	300,779	-0-	8,706,480
Changes in assets and liabilities:					
Patient accounts receivable	(7,328,072)	-0-	1,316,604	-0-	(6,011,468)
Supplies and other current assets	(4,770,601)	(1,015,552)	95,347	915,093	(4,775,713)
Accounts payable and accrued expenses	17,265,709	(154,302)	(85,340)	(678,528)	16,347,539
Accrued salaries and related liabilities	646,380	-0-	-0-	-0-	646,380
Other long-term liabilities	116,923	-0-	-0-	-0-	116,923
Due from (to) related parties	(8,966,463)	667,243	8,535,785	(236,565)	-0-
Estimated third-party settlements	14,869,155	-0-	-0-	-0-	14,869,155
Net cash flows from operating activities	<u>\$ 15,970,826</u>	<u>\$ 2,138,312</u>	<u>\$ 97,381</u>	<u>\$ -0-</u>	<u>\$ 18,206,519</u>
<b>Reconciliation of cash and cash equivalents to the balance sheets</b>					
Cash and cash equivalents					
In current assets	\$ 68,730,256	\$ 496,457	\$ 294,580	\$ -0-	\$ 69,521,293
In assets whose use is limited - internally designated	-0-	1,433,440	-0-	-0-	1,433,440
Total cash and cash equivalents	<u>\$ 68,730,256</u>	<u>\$ 1,929,897</u>	<u>\$ 294,580</u>	<u>\$ -0-</u>	<u>\$ 70,954,733</u>
<b>Supplemental cash flows information</b>					
Property included in accounts payable	\$ 409,434	\$ -0-	\$ -0-	\$ -0-	\$ 409,434

See report of independent auditors on pages 1 through 4.



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

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

Board of Trustees  
Henry Community Health  
New Castle, Indiana

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 Henry Community Health (the Hospital), which comprise the balance sheet as of December 31, 2021, and the related statements of operations 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 May 12, 2022.

Report on 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 the 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.

Board of Trustees  
Henry Community Health  
New Castle, Indiana

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

#### 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 Hospital's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**Blue & Co., LLC**  
Indianapolis, Indiana  
May 12, 2022



# HENRY COMMUNITY HEALTH

## SCHEDULE OF FINDINGS YEAR ENDED DECEMBER 31, 2021

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### **Findings related to financial statements reported in accordance with Government Auditing Standards:**

No matters reported.

### **Summary schedule of prior audit findings**

2020-001 – Material Weakness related to estimates of for contractual allowances and bad debts.

*Condition* – During the 2020 audit, management’s estimate of the contractual allowances and bad debts on patient accounts receivable did not use all payor collection experience data in the model.

*Recommendation* – It was recommended management implement controls to ensure the estimate of contractual allowances and bad debts incorporates all collection experience information. In addition, it was recommended management compare allowance percentages by payor to historical amounts monthly for reasonableness.

*Current Status* – No similar findings were noted during the current year audit.