



**LITTLE COMPANY OF MARY HOSPITAL OF INDIANA, INC.
AND AFFILIATE**

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

**LITTLE COMPANY OF MARY HOSPITAL OF INDIANA, INC.
AND AFFILIATE**

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Little Company of Mary Hospital of Indiana, Inc. and Affiliate
Jasper, Indiana

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Little Company of Mary Hospital of Indiana, Inc. and Affiliate (the "Corporation"), a wholly controlled subsidiary of the American Province of Little Company of Mary Sisters, which comprise the consolidated balance sheets as of June 30, 2022 and 2021, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 Consolidated Financial Statements section of our report. We are required to be independent of the Corporation 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 Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the consolidated financial statements.

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 Corporation'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

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

Board of Directors
Little Company of Mary Hospital of Indiana, Inc. and Affiliate
Jasper, Indiana

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2022, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the *Government Auditing Standards* internal control over financial reporting and compliance.

Blue & Co., LLC

Indianapolis, Indiana
November 14, 2022

**LITTLE COMPANY OF MARY HOSPITAL OF INDIANA, INC.
AND AFFILIATE**

CONSOLIDATED BALANCE SHEETS
JUNE 30, 2022 AND 2021

ASSETS		
	2022	2021
Current assets		
Cash and cash equivalents	\$ 80,255,054	\$ 98,474,178
Investments	9,853,555	10,274,203
Patient accounts receivable	27,974,098	22,560,645
Other receivables	1,294,068	1,388,864
Inventory and other current assets	6,228,306	5,636,702
Total current assets	125,605,081	138,334,592
Assets limited as to use, less current portion		
Board designated funds	97,026,733	106,724,928
Trustee held, less current portion	6,333	6,333
Donor restricted funds	2,541,740	1,598,326
Investments held by Foundation	6,593,814	7,156,554
Total assets limited as to use	106,168,620	115,486,141
Property and equipment		
Land and improvements	11,188,088	11,154,563
Buildings and building equipment	122,498,934	121,988,820
Furniture and equipment	158,911,560	114,778,710
Right-of-use assets under operating leases	3,729,510	5,409,793
Construction in process	-0-	35,293,541
	296,328,092	288,625,427
Less allowances for depreciation	179,262,025	162,860,425
Total property and equipment, net	117,066,067	125,765,002
Other assets		
Other long-term assets	1,789,222	1,708,351
Total assets	\$ 350,628,990	\$ 381,294,086

See accompanying notes to consolidated financial statements.

**LITTLE COMPANY OF MARY HOSPITAL OF INDIANA, INC.
AND AFFILIATE**

CONSOLIDATED BALANCE SHEETS
JUNE 30, 2022 AND 2021

LIABILITIES AND NET ASSETS

	2022	2021
Current liabilities		
Accounts payable	\$ 10,227,765	\$ 18,027,208
Accrued expenses and other current liabilities	22,687,409	26,573,671
Estimated settlements due to third-party payors	23,856,477	30,574,614
Current portion of long term debt	2,700,000	2,450,000
Current portion of operating lease liabilities	1,495,471	2,196,313
Total current liabilities	60,967,122	79,821,806
 Long-term liabilities, net of current portion		
Long-term debt	64,314,474	66,984,712
Operating lease liabilities	2,234,039	3,222,013
Total long-term liabilities	66,548,513	70,206,725
Total liabilities	127,515,635	150,028,531
 Net assets		
Without donor restrictions	220,571,615	229,667,229
With donor restrictions	2,541,740	1,598,326
Total net assets	223,113,355	231,265,555
Total liabilities and net assets	\$ 350,628,990	\$ 381,294,086

See accompanying notes to consolidated financial statements.

**LITTLE COMPANY OF MARY HOSPITAL OF INDIANA, INC.
AND AFFILIATE**

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Revenue and other support without donor restrictions		
Patient service revenue	\$ 247,410,661	\$ 238,123,467
Other revenue and support	14,927,515	12,922,608
Total revenue and other support without donor restrictions	262,338,176	251,046,075
Expenses		
Salaries and wages	118,019,773	111,891,984
Employee benefits	25,529,701	23,266,964
Supplies and drugs	40,501,063	41,634,979
Professional fees	12,151,200	9,256,056
Depreciation and amortization	16,378,497	12,626,539
Purchased services	12,846,470	12,186,309
Hospital assessment fee and healthy Indiana plan	12,030,406	9,656,491
Interest	2,344,574	2,261,352
Facility fees and leases	15,712,245	12,604,312
Other	6,156,210	6,298,269
Total expenses	261,670,139	241,683,255
Income from operations	668,037	9,362,820
Nonoperating gains (losses)		
Investment return, net	2,864,603	4,007,822
Net unrealized gains (losses) on investments	(13,365,184)	15,540,893
Loss on debt refunding	-0-	(4,755,582)
Other	292,377	(2,416)
Total nonoperating gains, net	(10,208,204)	14,790,717
Excess (deficit) of revenues over expenses	(9,540,167)	24,153,537
Other changes in net assets without donor restrictions		
Net assets released from restriction	444,553	2,451,788
Changes in net assets without donor restrictions	(9,095,614)	26,605,325
Changes in net assets with donor restrictions		
Contributions	1,387,967	566,715
Net assets released from restriction	(444,553)	(2,451,788)
Changes in net assets with donor restrictions	943,414	(1,885,073)
Changes in net assets	(8,152,200)	24,720,252
Net assets		
Beginning of year	231,265,555	206,545,303
End of year	\$ 223,113,355	\$ 231,265,555

See accompanying notes to consolidated financial statements.

**LITTLE COMPANY OF MARY HOSPITAL OF INDIANA, INC.
AND AFFILIATE**

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Operating activities		
Changes in net assets	\$ (8,152,200)	\$ 24,720,252
Adjustments to reconcile change in net assets to net cash from operating activities:		
Restricted contributions	(1,387,967)	(566,715)
Depreciation and amortization	16,378,497	12,626,539
Net realized and unrealized (gains) losses on investments	13,199,446	(16,448,022)
Amortization of original issue (premiums) discounts, net	(29,762)	(48,585)
Loss on debt refunding	-0-	4,755,582
Changes in operating assets and liabilities:		
Patient accounts receivable	(5,413,453)	(1,346,889)
Other current assets	(496,808)	453,292
Other long-term assets	(21,347)	218,292
Accounts payable	(8,546,938)	(1,181,493)
Accrued expenses and other current liabilities	(3,886,262)	7,091,864
Estimated settlements due to third-party payors	(6,718,137)	17,725,866
Pension asset	-0-	2,372,782
Net cash flows from operating activities	(5,074,931)	50,372,765
Investing activities		
Additions to property and equipment	(8,620,883)	(34,706,021)
Change in investments and assets limited as to use	(3,461,277)	(931,727)
Net cash flows from investing activities	(12,082,160)	(35,637,748)
Financing activities		
Restricted contributions	1,387,967	566,715
Repayments of long-term debt	(2,450,000)	(43,449,894)
Proceeds from issuance of long-term debt	-0-	63,470,000
Bond issuance costs	-0-	(598,033)
Net cash flows from financing activities	(1,062,033)	19,988,788
Net change in cash and cash equivalents	(18,219,124)	34,723,805
Cash and cash equivalents		
Beginning of year	98,474,178	63,750,373
End of year	\$ 80,255,054	\$ 98,474,178
Supplemental cash flows information		
Property and equipment included in accounts payable	\$ 747,495	\$ 14,040,781

See accompanying notes to consolidated financial statements.

LITTLE COMPANY OF MARY HOSPITAL OF INDIANA, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The mission of Little Company of Mary Hospital of Indiana, Inc. d/b/a Memorial Hospital and Health Care Center, Inc. (Corporation) is as follows:

Christ's healing mission of compassion empowers us to be for others through quality and excellence.

The Corporation is a subsidiary of and operates under the auspices of the American Province of The Little Company of Mary Sisters (American Province). The American Province is a religious community of the Roman Catholic Church, which operates health care facilities in the United States and certain other countries. The Board of Directors of the Corporation is appointed by the members of the Provincial Council of the American Province. The Corporation operates a general primary acute care hospital located in Jasper, Indiana.

Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly controlled affiliate, Memorial Hospital Foundation, Inc. (Foundation). Transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as revenues and expenses. Peripheral or incidental transactions are reported as nonoperating gains and losses. Nonoperating gains and losses include investment income, realized gains and losses on investments, losses on debt refunding, gains or losses on the sale or disposal of property and equipment, and other gains and losses.

Significant intercompany accounts and transactions have been eliminated in the consolidated financial statements.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, including the allowance for estimated uncollectible accounts and estimated third-party payor settlements, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period and could differ from actual results.

**LITTLE COMPANY OF MARY HOSPITAL OF INDIANA, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Charity Care and Community Benefit

Patients are provided care regardless of their ability to pay and charity services are provided in accordance with charity care policies of the Corporation. These policies define charity services as those services for which no payment is anticipated and are based on federal poverty income levels and certain other factors. Because collection of amounts determined to qualify as charity care is not pursued, such amounts are not reported as revenue. The Corporation did not change its charity care policies during the year.

Of the Corporation's total expenses reported within the consolidated statements of operations and changes in net assets, an estimated \$476,000 and \$1,017,000 arose from providing services to charity patients during 2022 and 2021, 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 cost to charges is calculated based on the Corporation's total expenses divided by gross patient service revenue.

Cash Equivalents

All highly liquid instruments with an original maturity of 90 days or less excluding investments and assets limited as to use are considered to be cash equivalents. Cash equivalents consist primarily of short-term certificates of deposit and money market funds. The Corporation maintains its cash in accounts, which at times may exceed federally insured limits. The Corporation has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk on cash and cash equivalents.

Investments

The Corporation invests in certain fixed income securities in order to enhance the return on funds available in current operations as needed. Included in these funds are cash equivalents, U.S. government obligations, and corporate obligations.

Patient Accounts Receivable

Patient accounts receivable are reported at the amounts that reflects the consideration which the Corporation expects to be entitled in exchange for providing patient care, as further described in Note 2. During 2022, the Corporation converted to a new electronic medical records/patient billing system, Epic. Long-term this typically leads to increased efficiency, capability, and overall improvement in the revenue cycle as well as other enhancements. However, due to the significance of the conversion and the related magnitude of change required, in the short-term organizations experience increases in patient accounts receivable, commensurate decreases in cash, increases in related expenditures, both operating and capital, as well as short-term decreases in productivity due to the learning curve.

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JUNE 30, 2022 AND 2021

Patient accounts receivable can be impacted by the effectiveness of the Corporation's collection efforts. Additionally, significant changes in payor mix, business office operations, economic conditions or trends in federal and state governmental healthcare coverage could affect the net realizable value of accounts receivable. The Corporation also continually reviews the net realizable value of accounts receivable by monitoring historical cash collections as a percentage of trailing net operating revenues, as well as by analyzing current period net revenue and admissions by payor classification, aged accounts receivable by payor, days revenue outstanding, the composition of self-pay receivables between pure self-pay patients and the patient responsibility portion of third-party insured receivables and the impact of recent acquisitions and dispositions.

Final settlements for some payors and programs are subject to adjustment based on administrative review and audit by third parties. As a result of these final settlements, the Corporation has recorded amounts due to third-party.

Given the current regulatory and reimbursement environment, there can be no assurances that adequate reimbursement levels will continue to be available for the services provided by the Corporation. Significant limits on the scope of services reimbursed and on reimbursement rates and fees could have a material adverse effect on the Corporation's financial condition, results of operations and cash flows.

The Corporation is primarily located in Jasper, Indiana. The Corporation grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The concentration of net patient accounts receivables from patients and third-party payors as of June 30, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Medicare	30%	25%
Medicaid	6%	7%
Blue Cross	14%	17%
Commercial	34%	31%
Self-pay	16%	20%
	<u>100%</u>	<u>100%</u>

Contract Costs

The Corporation has applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental customer contract acquisition costs are expensed as they are incurred, as the amortization period of the asset that the Corporation otherwise would have recognized is one year or less in duration.

**LITTLE COMPANY OF MARY HOSPITAL OF INDIANA, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Other Receivables

Other receivables consist mainly of physician loans that are expected to be forgiven or received within the period of one year.

Inventory and Other Current Assets

Inventory and other current assets consist primarily of pharmaceutical and medical supply inventories and prepaid expenses. Inventory is valued at the lower of cost or net realizable value with cost being determined on the first-in, first-out (FIFO) method. Inventory at year-end consists mainly of pharmaceuticals and medical supplies.

Assets Limited as to Use and Investment Income

Nonparticipating certificates of deposit, demand deposits and similar negotiable instruments that are not reported as cash and cash equivalents are reported as investments at contract value, which approximates fair value. Marketable debt, US Government and government agency obligations and common stocks are reported at fair value. US Government and government agency obligations are defined as securities backed by the full faith and credit of the United States Treasury or fully insured or guaranteed by the United States or any United States government agency. Mutual funds are reported at fair value based on the fund's market price. Donated investments are reported at fair value at the date of receipt. Dividends, interest income and realized gains (losses) on sales of investments are recorded as nonoperating investment gains (losses) while unrealized gains on investments are reported as other changes in net assets without donor restrictions in the consolidated statements of operations and changes in net assets. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Board designated investments limited as to use consist of short-term investments (principally money market mutual funds), US Government and government agency obligations, marketable debt securities, common stocks, and mutual funds. Investments are generally reported at fair value.

Board designated investments limited as to use represent certain funds from operations, investments held by the Foundation, donor restricted funds and other sources designated by the Board of Directors of the Corporation to be used to fund future capital asset replacements, for the retirement of certain long-term debt, or for other purposes.

Investments held by trustee have been established as required by terms of the various bond agreements. Such funds are to be used for payment of principal and interest, replacement or construction of property and equipment, and cash reserves. Funds held for obligations classified as current liabilities are reported as current assets.

**LITTLE COMPANY OF MARY HOSPITAL OF INDIANA, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Property and Equipment and Depreciation

Property and equipment are stated at cost, or if donated, at fair value at the date of donation, and include expenditures for new additions and repairs which substantially increase the useful lives of existing property and equipment. Maintenance repairs and minor renewals are expensed as incurred. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and any resulting gain or loss for the period is recognized. Provisions for depreciation of property and equipment are computed using the straight-line method based upon the estimated useful lives of the assets, which range from 2 to 40 years.

Debt Issue Costs

Costs incurred in connection with the issuance of debt are amortized over the term of the related debt using the straight-line method. Estimated annual amortization is approximately \$50,000.

Financial Statement Presentation and Net Assets

The accompanying consolidated financial statements have been prepared on the accrual basis, and have been prepared with a focus on the entity as a whole. Net assets, support, revenues, gains, and losses are classified based on the existence or absence of donor restrictions.

Net assets with donor restrictions are those assets whose use by the Corporation has been limited by donors for capital projects or for a specific time or purpose. The primary projects and purposes relate to the cancer center, medication program and palliative care.

When donor restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of operations and changes in net assets as net assets released from restriction. The net assets released from restrictions for 2022 and 2021 primarily consist of funds for various capital projects. Resources arising from the results of operations or assets set aside by the Board of Directors are not considered to be with donor restrictions.

Compensated Absences

The Corporation's policy on compensated absences (which include vacation, holidays and a personal day) allows full time employees and regular part time employees to accrue days off, to a maximum of 240 hours. Compensated absences are accrued when incurred and reported as a liability on the consolidated balance sheet.

**LITTLE COMPANY OF MARY HOSPITAL OF INDIANA, INC.
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Contributions and Support

The Corporation recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. The Corporation did not have any refundable advances at June 30, 2022 and 2021.

See Note 13 for additional information surrounding support.

Advertising Costs

Advertising costs are expenses as incurred. Total advertising expense for 2022 and 2021 was approximately \$230,000 and \$242,000, respectively.

Performance Indicator

The consolidated statements of operations and changes in net assets include a performance indicator, excess (deficit) of revenues over expenses. Changes in net assets without donor restrictions, which are excluded from excess of revenues over expenses, consistent with industry include contributions of long-lived assets and certain other items.

Medical Malpractice

The Corporation purchases professional and general liability insurance to cover medical malpractice claims. There are known claims and incidents that may result in the assertion of additional claims, as well as claims from unknown incidents that may be asserted arising from services provided to patients.

The Indiana Medical Malpractice Act, IC 34-18 (Act) provides a maximum recovery of \$1,800,000 for an occurrence of malpractice and provided a maximum recovery of \$1,650,000 prior to July 1, 2019. The Act requires the Corporation to maintain medical malpractice liability insurance in the amount of at least \$500,000 per occurrence (\$10,000,000 in the annual aggregate). Prior to July 1, 2019, the Act required the Corporation to maintain medical malpractice liability insurance in the amount of at least \$400,000 per occurrence (\$12,000,000 in the annual aggregate). The Act also requires the Corporation to pay a surcharge to the State Patient's Compensation Fund (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.

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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 Corporation's claim experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

Income Taxes

The Corporation and Foundation are organized as not-for-profit corporations under Section 501(c)(3) of the United States Internal Revenue Code. The exemption is on all income except unrelated business income as noted under Section 511 of the Internal Revenue Code. Internal Revenue Code Section 513(a) defines an unrelated trade or business of an exempt organization as any trade or business which is not substantially related to the exercise or performance of its exempt purpose. As such, the Corporation and Foundation are generally exempt from income taxes. However, the Corporation and Foundation are required to file Federal Form 990 – Return of Organization Exempt from Income Tax which is an informational return only.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Corporation and recognize a tax liability if the Corporation has 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 the Corporation, and has concluded that as of June 30, 2022 and 2021, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying consolidated financial statements.

The Corporation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. 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).

Subsequent Events

The Corporation has evaluated events or transactions occurring subsequent to the consolidated balance sheet date for recognition and disclosure in the accompanying consolidated financial statements through the date the consolidated financial statements were issued which was November 14, 2022.

**LITTLE COMPANY OF MARY HOSPITAL OF INDIANA, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Going Concern Evaluation

Management evaluates whether there are conditions or events that raise substantial doubt about the Corporation's ability to continue as a going concern for a period of one year from the date the consolidated financial statements were issued.

2. PATIENT SERVICE REVENUE

The Corporation's revenues generally relate to contracts with patients in which the Corporation's performance obligations are to provide health care services to the patients. Patient service revenue is reported at the amount that reflects the consideration to which the Corporation expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Corporation bills the patients and third-party payors several days after the services are performed or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Corporation. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Corporation believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving inpatient acute care services or patients receiving services in our outpatient centers or in their homes (home care).

The Corporation measures the performance obligation from admission into the Corporation, or the commencement of an outpatient service, to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or completion of the outpatient services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to patients and the Corporation does not believe it is required to provide additional goods or services related to that obligation.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Corporation has elected to apply the optional exemption provided in FASB ASC 606-10-50-14a and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to previously are primarily related to inpatient acute care services at the end of the reporting period.

The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

**LITTLE COMPANY OF MARY HOSPITAL OF INDIANA, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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The Corporation determines the transaction price based on standard charges, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Corporation's policy, and implicit price concessions provided to uninsured patients. The Corporation determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The Corporation determines its estimate of implicit price concessions based on its historical collection experience with this class of patients. The Corporation continually reviews the contractual estimation process to consider and incorporate updates to laws and regulations and changes in contractual terms.

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

- Medicare: Certain inpatient acute care services are paid at prospectively determined rates per discharge based on clinical, diagnostic, and other factors. Certain services are paid based on cost-reimbursement methodologies subject to certain limits. Physician services are paid based upon established fee schedules. Outpatient services are paid using prospectively determined rates.
- Medicaid: Reimbursements for Medicaid services are generally paid at prospectively determined rates per discharge, per occasion of service, or per covered member.
- Other: Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs.

There can be no assurance that regulatory authorities will not challenge the Corporation's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Corporation. In addition, the contracts the Corporation has with commercial payors also provide for retroactive audit and review of claims.

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Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Corporation's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in the transaction price were not significant in 2022 or 2021.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Corporation also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. The Corporation estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. The amounts recognized due to changes in its estimates of explicit and implicit price concessions for the years ended June 30, 2022 and 2021 are not significant. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

Consistent with the Corporation's mission, care is provided to patients regardless of their ability to pay. Therefore, the Corporation has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles).

The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Corporation expects to collect based on its collection history with those patients. Implicit price concessions were approximately \$7,571,000 and \$10,018,000 for the years ended June 30, 2022 and 2021, respectively.

Patients who meet the Corporation's criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as charity care are not reported as revenue.

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The Corporation has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by payors. The following tables provide details of this factor.

	2022	2021
Medicare	\$ 91,232,869	\$ 81,730,897
Medicaid	28,270,577	23,521,668
Commercial and other	127,391,337	132,262,304
Patients	515,878	608,598
	\$ 247,410,661	\$ 238,123,467

Revenue from patient's deductibles and coinsurance are included in the preceding categories based on the primary payor.

The Corporation participates in the State of Indiana's Hospital Assessment Fee (HAF) Program. The purpose of the HAF Program is to fund the State share of enhanced Medicaid payments and Medicaid Disproportionate Share (DSH) payments for Indiana hospitals as reflected in the HAF Program expense reported in the statements of operations and changes in net assets. Previously, the State share was funded by governmental entities through intergovernmental transfers. The Medicaid enhanced payments relate to both fee for service and managed care claims.

The Medicaid enhanced payments are designed to follow the patients and result in increased Medicaid rates. Beginning July 1, 2017, hospitals also started funding the Healthy Indiana Plan (HIP), the State's Medicaid expansion program. The payments related to the HIP program mirror the Medicaid payments under the HAF program but the funding includes physician, state administration, and certain non-hospital expenditures.

During 2022 and 2021, the Corporation recognized HAF and HIP Program expenses of approximately \$12,030,000 and \$9,660,000, respectively, which resulted in increased Medicaid reimbursement. The HAF and HIP assessments are included in the consolidated statements of operations and changes in net assets as in operating expenses. The Medicaid rate increases under the HAF Program and the HIP payments are included in patient service revenue in the statements of operations and changes in net assets. Reimbursement from the Medicare and Medicaid programs is determined from annual cost reports, which are subject to audit by the programs. The Corporation's management believes that amounts recorded in the consolidated financial statements for estimated settlements will approximate the final settlements for open cost reports. The Corporation's cost reports have been audited by the government or its agents and settled through June 30, 2018.

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3. INVESTMENTS AND ASSETS LIMITED AS TO USE

The composition of investments and assets limited as to use as of June 30 is set forth below:

	2022	2021
Investments		
Cash equivalents	\$ 2,352,058	\$ 1,918,529
U.S. government obligations	4,571,263	4,481,396
Corporate obligations	2,930,234	3,874,278
	9,853,555	10,274,203
Board designated funds		
Certificates of deposit and cash equivalents	5,589,754	2,560,110
Mutual funds	59,794,206	70,246,587
U.S. government obligations	16,738,605	18,024,503
Corporate obligations	2,413,443	4,612,980
Limited partnership funds	12,490,725	11,280,748
	97,026,733	106,724,928
Trustee held funds		
Cash equivalents	6,333	6,333
Donor restricted funds and investments held by Foundation		
Cash equivalents	2,923,272	1,674,915
Common stocks	4,447,793	4,930,048
Corporate obligations	545,744	628,731
U.S. government obligations	1,216,568	1,518,533
Other	2,177	2,653
	9,135,554	8,754,880
	\$ 116,022,175	\$ 125,760,344

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The composition of investment return recognized in the consolidated statements of operations and changes in net assets follows:

	2022	2021
Interest and dividend income	\$ 2,698,865	\$ 3,100,693
Realized gains on sale of investments	427,137	941,125
Realized losses on sale of investments	(261,399)	(33,996)
Unrealized gains (losses) on investments	(13,365,184)	15,540,893
Investment income, net	<u>\$ (10,500,581)</u>	<u>\$ 19,548,715</u>

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

4. FAIR VALUE MEASUREMENTS

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

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

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2022 and 2021.

- *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 Corporation are open-end mutual 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 Corporation are deemed to be actively traded.
- *Money market funds*: Generally transact subscription and redemption activity at a \$1 stable 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.
- *U.S. government obligations*: Valued using pricing models maximizing the use of observable inputs
- *Corporate obligations*: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.
- *Limited partnership funds*: Valued at the NAV of units of the fund. The NAV, as provided by the investment manager, is used as a practical expedient to estimate fair value. The limited partnership funds consist of investments in a variety of domestic and foreign equity and debt securities, managed accounts and other investment vehicles that employ diversified styles and strategies. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. Due to the nature of the investments held by the fund, changes in market conditions and the economic environment may significantly impact the NAV of the fund and, consequently, the fair value of the Corporation's interests in the funds. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported NAV. It is therefore reasonably possible that if the Corporation were to sell these investments in the secondary market, a buyer may require a discount to the reported NAV, and the discount could be significant.

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The following tables sets forth by level, within the hierarchy, the Corporation's assets and liabilities measured at fair value on a recurring basis as of June 30, 2022 and 2021 are as follows:

	June 30, 2022			
	Total	Level 1	Level 2	Level 3
Assets				
Investments and assets limited as to use				
Common stocks				
Materials	\$ 316,033	\$ 316,033	\$ -0-	\$ -0-
Industrials	318,344	318,344	-0-	-0-
Consumer discretionary	357,002	357,002	-0-	-0-
Energy	188,916	188,916	-0-	-0-
Finance	590,590	590,590	-0-	-0-
Healthcare	835,986	835,986	-0-	-0-
Information technology	1,343,746	1,343,746	-0-	-0-
Services	419,822	419,822	-0-	-0-
Other	77,354	77,354	-0-	-0-
Mutual funds				
Value	12,787,862	12,787,862	-0-	-0-
Blended	14,781,059	14,781,059	-0-	-0-
Growth	6,767,705	6,767,705	-0-	-0-
Fixed income	25,457,580	25,457,580	-0-	-0-
U.S. government obligations	22,526,436	-0-	22,526,436	-0-
Corporate obligations				
Financial	5,481,742	-0-	5,481,742	-0-
Consumer	407,679	-0-	407,679	-0-
Other	2,177	-0-	2,177	-0-
		<u>\$ 64,241,999</u>	<u>\$ 28,418,034</u>	<u>\$ -0-</u>
Certificates of deposit and cash equivalents	10,871,417			
Limited partnership funds (a)	12,490,725			
Total investments and assets limited as to use	<u>\$116,022,175</u>			

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	June 30, 2021			
	Total	Level 1	Level 2	Level 3
Assets				
Investments and assets limited as to use				
Common stocks				
Materials	\$ 164,598	\$ 164,598	\$ -0-	\$ -0-
Industrials	110,643	110,643	-0-	-0-
Consumer discretionary	432,301	432,301	-0-	-0-
Energy	76,543	76,543	-0-	-0-
Finance	659,276	659,276	-0-	-0-
Healthcare	713,594	713,594	-0-	-0-
Information technology	1,910,297	1,910,297	-0-	-0-
Services	332,259	332,259	-0-	-0-
Other	530,537	530,537	-0-	-0-
Mutual funds				
Value	14,881,126	14,881,126	-0-	-0-
Blended	17,095,937	17,095,937	-0-	-0-
Growth	9,544,609	9,544,609	-0-	-0-
Fixed income	28,724,915	28,724,915	-0-	-0-
U.S. government obligations	24,024,432	-0-	24,024,432	-0-
Corporate obligations				
Financial	7,411,261	-0-	7,411,261	-0-
Consumer	1,704,728	-0-	1,704,728	-0-
Other	2,653	-0-	2,653	-0-
		<u>\$ 75,176,635</u>	<u>\$ 33,143,074</u>	<u>\$ -0-</u>
Certificates of deposit and cash equivalents	6,159,887			
Limited partnership funds (a)	11,280,748			
Total investments and assets limited as to use	<u>\$125,760,344</u>			

a) In accordance with Subtopic 820-10, certain investments that were measured at NAV per share or its equivalent have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented at fair value in the consolidated balance sheets.

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Fair Value of Investments in Entities that Use Net Asset Value

June 30, 2022					
Assets limited as to use	Fair Value	Subscription	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Limited partnership - pooled investments	\$ 23,686	None	None	Quarterly	Full liquidity mode to distribute over next few quarters
Limited partnership - pooled investments	20,748	None	None	Quarterly	Full liquidity mode to distribute over next few quarters
Limited partnership - pooled investments	7,467,811	None	None	None	None
Limited partnership - pooled investments	777,307	None	1,711,027	Illiquid	None
Limited partnership - pooled investments	406,980	None	370,378	Illiquid	None
Limited partnership - pooled investments	326,607	None	264,320	Illiquid	None
Limited partnership - pooled investments	219,057	None	1,026,657	Illiquid	None
Limited partnership - energy	1,090,121	None	469,807	Illiquid	None
Limited partnership - real estate	1,078,337	None	119,886	Illiquid	None
Limited partnership - secondary	1,080,071	None	111,378	Illiquid	None
	<u>\$ 12,490,725</u>				

June 30, 2021					
Assets limited as to use	Fair Value	Subscription	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Limited partnership - pooled investments	\$ 26,070	None	None	Quarterly	Full liquidity mode to distribute over next few quarters
Limited partnership - pooled investments	171,224	None	None	Quarterly	Full liquidity mode to distribute over next few quarters
Limited partnership - pooled investments	7,669,822	None	None	None	None
Limited partnership - energy	800,612	None	583,131	Illiquid	None
Limited partnership - real estate	1,259,082	None	71,640	Illiquid	None
Limited partnership - secondary	1,353,938	None	294,100	Illiquid	None
	<u>\$ 11,280,748</u>				

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5. LONG-TERM DEBT

Long-term debt consists principally of tax-exempt revenue bonds as follows:

	2022	2021
Hospital Authority of the City of Jasper Revenue and Refunding Bonds, Series 2021, commencing November 2021 through November 2040 in amounts ranging from \$370,000 to \$4,735,000. Interest payable semiannually between 1.15% and 3.87%	\$ 63,100,000	\$ 63,470,000
Hospital Authority of the City of Jasper Revenue and Refunding Bonds, Series 2013, commencing December 2013 through November 2035 in amounts ranging from \$1,615,000 to \$4,060,000. Interest payable semiannually between 3.00% and 5.75%	4,475,000	6,555,000
	67,575,000	70,025,000
Less unamortized debt issue costs	560,526	590,288
Less current portion	2,700,000	2,450,000
	\$ 64,314,474	\$ 66,984,712

Maturities of long-term debt for the next five years and thereafter are as follows:

Year Ending June 30,		
2023	\$	2,700,000
2024		2,820,000
2025		2,900,000
2026		2,960,000
2027		3,015,000
Thereafter		53,180,000
		\$ 67,575,000

Interest paid totaled approximately \$2,345,000 and \$2,261,000 in 2022 and 2021, respectively.

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In December 2013, the Hospital Authority of the City of Jasper issued \$56,585,000 (par value) of Fixed Rate Revenue and Refunding Bonds, Series 2013 (the Series 2013 Bonds), dated December 31, 2013, on behalf of the Corporation. A portion of the proceeds of the Series 2013 Bonds were used for the purpose of refunding the previously held Series 2002 Bonds and the Series 2008 Bonds. In addition, the remaining portion of the Series 2013 Bonds, as of June 30, 2022, are being held for the purpose of financing a portion of the costs of construction, equipping, and renovation and improvement of certain facilities of the Corporation.

The Series 2013 Bonds are collateralized by a security interest in substantially all assets of the Corporation and all proceeds therefrom, with the exception of donor-restricted contributions.

In April 2021, the Hospital Authority of the City of Jasper issued \$63,470,000 (par value) of Fixed Rate Revenue and Refunding Bonds, Series 2021 (the Series 2021 Bonds), dated April 1, 2021, on behalf of the Corporation. A portion of the proceeds of the Series 2021 Bonds were used for the purpose of refunding a portion of the Series 2013 Bonds. In addition, the remaining portion of the Series 2021 Bonds, as of June 30, 2022, are being held for the purpose of financing a portion of the costs of construction, equipping, and renovation and improvement of certain facilities of the Corporation.

The Series 2021 Bonds are collateralized by a security interest in substantially all assets of the Corporation and all proceeds therefrom, with the exception of donor-restricted contributions.

The Corporation has agreed to certain covenants, which, among other things, limit additional indebtedness and guarantees and require the Corporation to maintain specific financial ratios. Management believes they are in compliance with the covenants.

6. OPERATING LEASES – RIGHT OF USE (ROU) ASSETS AND RELATED LIABILITIES

The Corporation recognizes right-of-use (ROU) assets and lease liabilities for leases with terms greater than 12 months or leases that contain a purchase option that is reasonably certain to be exercised. Leases are classified as either finance or operating leases. This classification dictates whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease.

The Corporation has operating leases for buildings and equipment. Leasing arrangements required fixed payments and also include an amount that is probable to be owed under residual value guarantees, if applicable. Lease payments also include payments related to purchase or termination options when the lessee is reasonably certain to exercise the option or is reasonably certain not to exercise the option, respectively. The Corporation's lease agreements do not contain any material restrictive covenants. The leases have remaining terms of 1 to 7 years.

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The Corporation's ROU assets and lease liabilities are recognized on the lease commencement date in an amount that represents the present value of future lease payments over the lease term. The Corporation utilizes its collateralized incremental borrowing rate commensurate to the lease term as the discount rate for its leases unless the Corporation can specifically determine the lessor's implicit rate. Certain lease contracts contain non-lease components such as maintenance and utilities. The Corporation has made a policy election to not separate the lease and non-lease components, and thus recognize a single lease component for all of its right-of-use assets and lease liabilities. The operating lease ROU asset also includes any lease payments made and excludes lease incentives, if any.

Short-term leases (leases with an initial term of 12 months or less or leases that are cancelable by the lessee and lessor without significant penalties) are not capitalized but are expensed on a straight-line basis over the lease term. The majority of the Corporation's short-term leases relate to equipment.

In evaluating contracts to determine if they qualify as a lease, the Corporation considers factors such as if it has obtained substantially all of the rights to the underlying asset through exclusivity, if the Corporation can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. Furthermore, the Corporation assesses whether it is reasonably certain to exercise options to extend or terminate a lease considering all relevant factors that create economic incentive to exercise such options, including asset, contract, market, and entity-based factors. These evaluations may require significant judgment.

The components of operating lease ROU assets and liabilities as of June 30, 2022 and 2021 and related expense for the year ended are as follows:

	2022	2021
Operating leases		
Operating lease ROU assets	\$ 3,729,510	\$ 5,409,793
Operating lease liabilities		
Current portion	\$ 1,495,471	\$ 2,196,313
Long-term portion	2,234,039	3,222,013
Total operating lease obligations	\$ 3,729,510	\$ 5,418,326
Operating lease cost	\$ 2,322,000	\$ 2,380,000
		2022
Cash flow information related to lease liabilities (approximates):		2021
Operating cash flows from operating leases	\$ 2,322,000	\$ 2,380,000
Right-of-use assets obtained in exchange for new operating lease obligations	\$ 483,000	\$ 761,000

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The weighted average remaining lease term for the operating leases was 3.9 years as of June 30, 2022. The weighted average discount rate for both 2022 and 2021 was 3.25%. Operating lease expense related to these leases for 2022 and 2021 was approximately \$2,322,000 and \$2,380,000, respectively.

The subsequent maturities of the lease liabilities are as follows:

Year ending June 30,		
2023	\$	1,495,471
2024		1,269,376
2025		424,357
2026		241,740
2027		241,740
Thereafter		282,030
Total payments		3,954,714
Imputed interest		(225,204)
	\$	<u>3,729,510</u>

7. RETIREMENT PLANS

The Corporation maintains 401(k), 403(b) and 457(b) plans for eligible employees. The 403(b) and 457(b) plans do not provide for employer matching contributions from the Corporation. The amount of employer matching contributions for the 401(k) plan is determined each year by the Corporation. The amount of employer matching contributions for the 401(k) plan for the years ended June 30, 2022 and 2021 was approximately \$1,850,000 and \$1,830,000 , respectively.

8. FUNCTIONAL EXPENSES

The consolidated financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Corporation. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, which is allocated based on square footage, salaries and benefits, which are allocated based on estimates of time and effort, and employee benefits, which are allocated based on a percentage of salaries and benefits.

The remaining operating expenses below were allocated based on an identified percentage developed through the Corporation's analysis of indirect cost. Although the methods used were appropriate, alternative methods may provide different results. The Corporation provides general health care services to patients in the communities in which it operates.

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Expenses related to providing these services are as follows:

	2022		
	Health care Services	General & Administrative	Total
Salaries and wages	\$ 97,478,173	\$ 20,541,600	\$ 118,019,773
Employee benefits	21,540,901	3,988,800	25,529,701
Supplies and drugs	39,890,063	611,000	40,501,063
Professional fees	6,981,900	5,169,300	12,151,200
Depreciation and amortization	13,743,697	2,634,800	16,378,497
Purchased services	8,513,270	4,333,200	12,846,470
Hospital assessment fee and healthy Indiana plan	12,030,406	-0-	12,030,406
Interest	2,344,574	-0-	2,344,574
Facility fees and leases	7,585,945	8,126,300	15,712,245
Other	3,433,310	2,722,900	6,156,210
Total expenses	\$ 213,542,239	\$ 48,127,900	\$ 261,670,139

	2021		
	Health care Services	General & Administrative	Total
Salaries and wages	\$ 92,416,984	\$ 19,475,000	\$ 111,891,984
Employee benefits	19,631,664	3,635,300	23,266,964
Supplies and drugs	41,006,879	628,100	41,634,979
Professional fees	5,318,356	3,937,700	9,256,056
Depreciation and amortization	10,595,339	2,031,200	12,626,539
Purchased services	8,075,809	4,110,500	12,186,309
Hospital assessment fee and healthy Indiana plan	9,656,491	-0-	9,656,491
Interest	2,261,352	-0-	2,261,352
Facility fees and leases	6,085,412	6,518,900	12,604,312
Other	3,512,569	2,785,700	6,298,269
Total expenses	\$ 198,560,855	\$ 43,122,400	\$ 241,683,255

9. SELF-INSURED HEALTH AND DENTAL PLAN

The Corporation provides self-insured health and dental benefits to its employees. A third-party claims administrator has been retained to process all benefit claims. Claim expenditures and liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. A stop/loss policy through commercial insurance covers individual claims in excess of \$275,000 per individual per policy year with no aggregate limit. Self-funded health and dental insurance and related expenses were \$14,620,000 and \$12,990,000 for 2022 and 2021, respectively.

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10. COMMITMENTS AND CONTINGENCIES

Litigation

The Corporation is involved in litigation and regulatory matters 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 Corporation's future financial position, results from operations and cash flows.

Property and Equipment

As of June 30, 2022, the Corporation had commitments for property and equipment projects of approximately \$625,000, for various projects and renovations, through 2023.

11. INVESTMENT IN JOINT VENTURE

During 2011, the Corporation invested \$60,000 to obtain a 40% interest in the Memorial Hospital Outpatient Surgery Center Management Company, LLC (Management Company) which was formed with the intent to operate a high-quality, cost efficient, outpatient surgery center and to engage in any acts that may be necessary, incidental or convenient to support the surgery center unit of the Corporation. The surgery center department that relates to this management company commenced operations during fiscal year 2013. This 40% interest has been recorded under the equity method of accounting and is located within other assets in the consolidated balance sheets.

As a result of this joint venture, the Corporation recognized a gain during 2022 and 2021 of approximately \$292,000 and \$321,000, respectively, related to changes in equity of the Management Company. The Corporation received dividend distributions during 2022 and 2021 of approximately \$285,000 and \$369,000, respectively. The gain is included within other nonoperating gains in the consolidated statements of operations and changes in net assets.

12. LIQUIDITY AND AVAILABILITY OF RESOURCES

As of June 30, 2022 and 2021, the Corporation has financial assets available within one year of the consolidated balance sheet date to meet cash needs for general expenditure consisting of the following:

	2022	2021
Cash and cash equivalents	\$ 80,255,000	\$ 98,474,000
Investments	9,854,000	10,274,000
Patient accounts receivable	27,974,000	22,561,000
Other receivables	1,294,000	1,389,000
Total lease cost	<u>\$ 119,377,000</u>	<u>\$ 132,698,000</u>

**LITTLE COMPANY OF MARY HOSPITAL OF INDIANA, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the consolidated balance sheet date. Accounts receivable are subject to implied time restrictions, but are expected to be collected within one year. The Corporation has a goal to maintain financial assets to meet 90 days of normal operating expenses, which are, on average, approximately \$58,000,000. The Corporation's policy is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As a part of the Corporation's liquidity management, it has a policy to structure financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Corporation periodically invests excess cash in investments. The Corporation does not intend to spend from the board designated investments, though these amounts could be made available, if necessary.

13. PANDEMIC

In March 2020, the World Health Organization declared Coronavirus (COVID-19) a pandemic. The continued spread of COVID-19, or any similar outbreaks in the future, may continue to adversely impact the local, regional, national and global economies. The extent to which COVID-19 continues to impact the Corporation'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. Impacts have included, and may continue to include additional costs for responding to COVID-19, shortages of healthcare personnel, shortages of clinical supplies, loss of, or reduction to, revenue, and investment portfolio volatility. Management believes the Corporation is taking appropriate actions to respond to the pandemic. However, the full impact is unknown and cannot be reasonably estimated at the date the consolidated financial statements were issued.

During 2022 and 2021, Provider Relief Fund (PRF) and American Rescue Plan (ARP) grants 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 Corporation received approximately \$6,973,000 and \$-0- of these funds from the CARES Act during 2022 and 2021, respectively. PRF and ARP amounts are recognized to the extent the hospital meets the terms and conditions of the grant. The Corporation recognized PRF and ARP of approximately \$6,973,000 and \$10,000,000 within other revenue and support in the consolidated statements of operations and changes in net assets during 2022 and 2021, respectively.

The CARES Act also allowed health care providers to request accelerated and advanced payments for Medicare services. The Corporation received approximately \$23,560,000 of accelerated and advanced payments under this CARES Act provision through the date the consolidated financial statements were issued. Included on the consolidated balance sheets in estimated settlements due to third-party payors was approximately \$13,790,000 and \$23,560,000 as of June 30, 2022 and 2021, respectively.

**LITTLE COMPANY OF MARY HOSPITAL OF INDIANA, INC.
AND AFFILIATE**

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In addition, the CARES Act allowed employers to defer the deposit and payment of the employer's portion of Social Security taxes. As of June 30, 2022 and 2021, the Corporation's amount of deferred Social Security tax payments approximated \$3,268,000 and \$1,837,000, respectively, which are included in accrued expenses and other current liabilities within the consolidated balance sheets.



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

Board of Directors
Little Company of Mary Hospital of Indiana, Inc. and Affiliate
Jasper, 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 consolidated financial statements of Little Company of Mary Hospital of Indiana, Inc. and Affiliate (the Corporation), which comprise the consolidated balance sheet as of June 30, 2022, and the related consolidated statements of operations and changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 14, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 Corporation's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Board of Directors
Little Company of Mary Hospital of Indiana, Inc. and Affiliate
Jasper, Indiana

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's consolidated 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 consolidated 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 Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blue & Co., LLC

Indianapolis, Indiana
November 14, 2022