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October 19, 2021

Board of Trustees
Putnam County Hospital
1542 S. Bloomington St.
Greencastle, IN 46135

We have reviewed the audit report of Putnam County Hospital, which was opined upon by Blue and Co., LLC, Independent Public Accountants, for the period January 1, 2017 to December 31, 2017. Per the *Report of Independent Auditors*, due to inadequacy of accounting records for the period December 31, 2017, Blue and Co., LLC, was unable to obtain sufficient appropriate audit evidence to provide a basis for an opinion and accordingly did not express an opinion on the financial statements. Please refer to the Basis for Disclaimer of Opinion paragraph of the *Report of Independent Auditors* on Page 1 for further detail.

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

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

Paul D. Joyce

Paul D. Joyce, CPA
State Examiner

Putnam County Hospital

CONSOLIDATED FINANCIAL STATEMENTS

WITH

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2017

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blue

PUTNAM COUNTY HOSPITAL

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CPAs / ADVISORS

blue

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REPORT OF INDEPENDENT AUDITORS

Board of Trustees
Putnam County Hospital
Greencastle, Indiana

We were engaged to audit the accompanying consolidated financial statements of Putnam County Hospital (the Hospital), a component unit of Putnam County, as of and for the year ended December 31, 2017, and the related notes to the consolidated financial statements, which collectively comprise the Hospital's basic consolidated financial statements as listed in the accompanying table of contents.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America and the *Uniform Compliance Guidelines for Audits of Hospitals and State and Local Governments by Authorized Independent Public Accountants*, issued by the Indiana State Board of Accounts. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

Detailed records have not been maintained and certain prior year records and supporting data were not available for audit. Therefore, we were not able to obtain sufficient and appropriate audit evidence about the amounts at which certain assets and liabilities related to the Hospital's long-term care services are recorded in the accompanying consolidated balance sheet as of December 31, 2017 (current assets stated at approximately $20,175,000, net capital assets stated at $2,466,000, other assets stated at $797,000 and current liabilities stated at $23,438,000) and the amounts of operating revenues (stated at $118,367,000) and operating expenses (stated at $118,367,000) for the year then ended.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for our opinion. Accordingly, we do not express an opinion on the consolidated financial statements referred to in the first paragraph.

Board of Trustees
Putnam County Hospital
Greencastle, Indiana

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We were unable to apply certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America because of the insufficiency of the accounting records, as discussed in the Basis for Disclaimer of Opinion paragraph. We do not express an opinion or provide any assurance on the information.

Blue & Co., LLC

Indianapolis, Indiana
September 27, 2021

REQUIRED SUPPLEMENTARY INFORMATION

This section of Putnam County Hospital's (the Hospital) annual consolidated financial statements presents background information and management's discussion and analysis (MD&A) of the Hospital's financial performance. This MD&A also includes the Hospital's blended component unit, Putnam County Pain Management Center, LLC. Please read it in conjunction with the Hospital's consolidated financial statements that follow this MD&A.

Financial Highlights

- The Hospital's total assets increased approximately $6,452,000 or 10.6% during 2017. Total liabilities decreased $756,000 or 1.7% during 2017. The Hospital's net position increased $7,208,000 or 43.1% in 2017.

- The Hospital reported operating income of approximately $7,780,000 for 2017, representing an increase of $4,172,000 in comparison to the 2016 results.

- The Hospital added capital assets of approximately $3,174,000 during 2017. Net additions combined with depreciation expense of $2,314,000 resulted in net capital assets increasing $860,000 from 2016.

Using This Annual Report

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

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

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

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

The Consolidated Balance Sheet and Consolidated Statement of Revenues, Expenses 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 consolidated balance sheet and the consolidated statement of revenues, expenses and changes in net position report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

Table 1 – Consolidated Balance Sheets

	2017	2016	Change
Assets			
Current assets	$ 49,338,111	$ 43,766,337	$ 5,571,774
Assets whose use is limited	244,667	238,380	6,287
Capital assets, net	17,212,492	16,352,002	860,490
Other assets	797,315	783,947	13,368
Total assets	$ 67,592,585	$ 61,140,666	$ 6,451,919
Liabilities			
Current liabilities	$ 33,329,723	$ 34,431,874	$ (1,102,151)
Long-term liabilities	10,342,999	9,996,808	346,191
Total liabilities	43,672,722	44,428,682	(755,960)
Net position			
Net investment in capital assets	5,810,952	5,324,621	486,331
Restricted	275,015	278,519	(3,504)
Unrestricted	17,833,896	11,108,844	6,725,052
Total net position	23,919,863	16,711,984	7,207,879
Total liabilities and net position	$ 67,592,585	$ 61,140,666	$ 6,451,919

Total assets increased approximately $6,452,000 during 2017. The significant change in the Hospital's assets was in cash with an increase of $5,897,000 mainly related to favorable operating results. Total liabilities decreased by $756,000 in 2017. The significant changes included a decrease in the Hospital's line of credit of $2,579,000 offset by a net increase in other current liabilities such as accounts payable and other accrued liabilities. Net position increased by $7,208,000 from 2016 to 2017. The increase relates to favorable operating results of $7,780,000 in 2017 offset by nonoperating revenues (expenses), mainly interest expense, of $572,000.

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

	2017	2016	Change
Operating revenues			
Net patient service revenue	$ 174,141,105	$ 159,503,380	$ 14,637,725
Rental income	551,547	485,682	65,865
Other operating revenue	880,865	1,529,874	(649,009)
Total operating revenues	175,573,517	161,518,936	14,054,581
Operating expenses			
Salaries, wages and benefits	22,996,617	21,288,424	1,708,193
Professional fees and contract services	103,155,562	101,623,492	1,532,070
Supplies	22,291,248	17,176,770	5,114,478
Depreciation	2,314,009	2,285,695	28,314
Other	17,036,216	15,536,482	1,499,734
Total operating expenses	167,793,652	157,910,863	9,882,789
Operating income	7,779,865	3,608,073	4,171,792
Nonoperating revenues (expenses)	(571,986)	(546,889)	(25,097)
Change in net position	7,207,879	3,061,184	4,146,695
Net position			
Beginning of year	16,711,984	13,650,800	3,061,184
End of year	$ 23,919,863	$ 16,711,984	$ 7,207,879

The Hospital's performance in 2017 was favorable with a positive return on equity of 30.1% compared to prior year of positive return of 22.4%. The increase in operating income is the result of operating revenues increasing approximately $14,055,000 compared to an increase in operating expenses of $9,883,000 for 2017.

Total operating revenue increased approximately $14,055,000 mainly related to long-term care services. Net patient service revenue accounted for $14,638,000 of the increase in 2017, combined with a decrease in other operating revenue of $649,000.

Expenses increased by approximately $9,883,000 between 2017 and 2016. Salaries, wages and benefits increased by $1,708,000 mainly due to additional staffing. Professional fees and contract services increased by $1,532,000 and supplies increased by $5,114,000 over 2016, mainly due to long-term care services.

Table 3 – Consolidated Statements of Cash Flows

The final required statement is the statement of cash flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, noncapital financing, capital and related financing and investing 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 balances during the reporting period?"

Cash flows data	2017	2016	Change
From operating activities	$ 11,605,543	$ 8,958,547	$ 2,646,996
From capital and related financing activities	(5,708,211)	735,050	(6,443,261)
From investing activities	6,186	(47,461)	53,647
Change in cash and cash equivalents	$ 5,903,518	$ 9,646,136	$ (3,742,618)

Total cash and cash equivalents increased approximately $5,904,000 in 2017. Operating activities increased cash and cash equivalents by $11,606,000 during 2017 mainly from favorable operations. Capital and related financing decreased cash and cash equivalents by $5,708,000 during 2017 mainly as the result of payments made on the line of credit combined with property acquisitions. Investing activities added $6,000 to the increase in cash and cash equivalents.

Cash and cash equivalents increased approximately $9,646,000 in 2016. Operating activities increased cash and cash equivalents by $8,959,000 during 2016 mainly from the favorable operations and the reduction in other current assets. Capital and related financing activities increased cash and cash equivalents by $735,000 during 2016, mainly as the result of draws on the line of credit, which exceeded principal payments on long-term debt and property additions. Investing activities used $47,000 in cash and cash equivalents.

Capital Assets

The change in capital assets is outlined in the following table:

	2017	2016	Change
Land	$ 159,363	$ 159,363	$ -0-
Land improvements	329,844	329,844	-0-
Buildings and improvements	33,471,351	33,145,669	325,682
Equipment	23,595,067	21,911,547	1,683,520
Construction in process	1,441,980	276,683	1,165,297
	58,997,605	55,823,106	3,174,499
Accumulated depreciation	(41,785,113)	(39,471,104)	(2,314,009)
Capital assets, net	$ 17,212,492	$ 16,352,002	$ 860,490

During 2017, the Hospital invested approximately $3,174,000 in capital assets compared to $2,979,000 in 2016. Please refer to the notes to the consolidated financial statements for more detailed information on capital assets.

Debt

Total long-term debt and capital lease obligations (including current portions) increased from approximately $11,720,000 to $12,262,000 in 2017. The primary reason for the increase was additional borrowings entered into during the year from line of credit conversions. The Hospital's outstanding balance on its line of credit was $3,865,000 as of December 31, 2017 which was a decrease of $2,579,000 from the end of 2016. More detailed information about the Hospital's long-term debt, capital lease obligations and line of credit is presented in the notes to the consolidated financial statements.

Sources of Revenue

During 2017, the Hospital derived substantially all of its revenue from patient service and other related activities. A significant portion of the patient service revenue is from patients that are insured by government health programs, principally Medicare and Medicaid, which are highly regulated and subject to frequent and substantial changes. Revenues from the Medicare and Medicaid programs represented 55% and 56% of the Hospital's gross revenues in 2017 and 2016, respectively. The remaining payors include commercial and self-pay.

Economic Outlook

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

Management believes that the health care industry's and the Hospital's operating margins will continue to be under pressure because of changes in payor mix and growth in operating expenses that are in excess of the increases in contractually arranged and legally established payments received for services rendered. Another factor that poses a challenge to management is the increasing competitive market for the delivery of health care services. The ongoing challenge facing the Hospital is to continue to provide quality patient care in this competitive environment, and to attain reasonable rates for the services that are provided while managing costs. The most significant cost factor affecting the Hospital is the increases in labor costs due to the increasing competition for quality health care workers. Uncompensated care is also a significant factor on the Hospital's margin.

Contacting Hospital Management

This financial report is designed to provide our citizens, taxpayers, patients, and other interested parties with a general overview of the Hospital's financial condition. If you have any questions about this report, you may contact the Hospital's Administrative offices at 1542 South Bloomington Street, Greencastle, Indiana 46135.

PUTNAM COUNTY HOSPITAL

CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2017

ASSETS	
Current assets	
Cash and cash equivalents	$ 27,441,833
Patient accounts receivable, net of allowance for uncollectible accounts of $6,344,800	16,112,717
Estimated third-party settlements	119,803
Inventory	819,966
Prepaids and other current assets	4,843,792
Total current assets	49,338,111
Assets whose use is limited	
Internally designated	42,204
Donor restricted	202,463
Total assets whose use is limited	244,667
Capital assets, net	17,212,492
Other assets	797,315
Total assets	$ 67,592,585
LIABILITIES AND NET POSITION	
Current liabilities	
Line of credit	$ 3,865,282
Current portion of long-term debt	1,591,414
Current portion of capital lease obligations	327,617
Accounts payable	8,473,627
Accrued salaries, wages, and related liabilities	9,266,037
Accrued expenses and other current liabilities	9,805,746
Total current liabilities	33,329,723
Long-term debt, net of current portion	9,674,151
Capital lease obligations, net of current portion	668,848
Total liabilities	43,672,722
Net position	
Net investment in capital assets	5,810,952
Restricted	
Non-expendable	72,552
Donor restricted - expendable	202,463
Total restricted	275,015
Unrestricted	17,833,896
Total net position	23,919,863
Total liabilities and net position	$ 67,592,585

See Report of Independent Auditors on pages 1 and 2.
See accompanying notes to consolidated financial statements.

PUTNAM COUNTY HOSPITAL

CONSOLIDATED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2017

Operating revenues	
Net patient service revenue	$ 174,141,105
Rental income	551,547
Other operating revenue	880,865
Total operating revenues	175,573,517
Operating expenses	
Salaries and wages	17,598,429
Employee benefits	5,398,188
Professional fees and contract services	103,155,562
Supplies	22,291,248
Insurance	634,263
Facility and equipment leases	11,360,984
Repairs and maintenance	947,868
Utilities	677,205
Training and education	295,816
HAF Program	985,826
Depreciation	2,314,009
Other	2,134,254
Total operating expenses	167,793,652
Operating income	7,779,865
Nonoperating revenues (expenses)	
Interest expense	(521,028)
Investment return	13,834
Contributions	314
Other	(65,106)
Total nonoperating revenues (expenses)	(571,986)
Change in net position	7,207,879
Net position	
Beginning of year	16,711,984
End of year	$ 23,919,863

See Report of Independent Auditors on pages 1 and 2.
See accompanying notes to consolidated financial statements.

PUTNAM COUNTY HOSPITAL

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017

Operating activities	
Cash received from patients and third-party payors	$ 174,830,519
Cash paid for salaries, wages and benefits	(18,306,344)
Cash paid to vendors for goods and services	(145,721,337)
Other operating receipts, net	802,705
Net cash flows from operating activities	11,605,543
Capital and related financing activities	
Acquisition and construction of capital assets	(3,174,499)
Payments on line of credit	(2,579,068)
Proceeds from issuance of long-term debt	2,396,127
Principal paid on long-term debt and capital leases	(1,854,570)
Cash paid for interest	(496,201)
Net cash flows from capital and related financing activities	(5,708,211)
Investing activities	
Investment return	13,834
Purchase of investments	(7,648)
Net cash flows from investing activities	6,186
Net change in cash and cash equivalents	5,903,518
Cash and cash equivalents	
Beginning of year	21,782,982
End of year	$ 27,686,500
Reconciliation of cash and cash equivalents to the consolidated balance sheet	
Cash and cash equivalents	
In current assets	$ 27,441,833
In assets whose use is limited	244,667
Total cash and cash equivalents	$ 27,686,500

See Report of Independent Auditors on pages 1 and 2.
See accompanying notes to consolidated financial statements.

Reconciliation of operating income to net cash flows from operating activities		
Operating income	$	7,779,865
Adjustments to reconcile operating income to net cash flows from operating activities		
Depreciation		2,314,009
Provision for bad debts		6,309,351
Other nonoperating revenues (expenses)		(64,792)
Changes in operating assets and liabilities		
Patient accounts receivable		(5,942,614)
Inventory and other current assets		170,411
Other assets		(564,915)
Accounts payable		848,428
Accrued salaries, wages, and related liabilities		4,690,273
Accrued expenses and other current liabilities		(4,257,150)
Estimated third-party settlements		322,677
Net cash flows from operating activities	$	11,605,543

See Report of Independent Auditors on pages 1 and 2.
See accompanying notes to consolidated financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity

Putnam County Hospital (the Hospital) is a county facility and operates under the Indiana County Hospital Law, Indiana Code (IC) 16-22. The Hospital provides short-term inpatient, outpatient, physician and long-term health care services. The Board of County Commissioners of Putnam County appoints the Governing Board of the Hospital and a financial benefit/burden relationship exists between Putnam County (the County) and the Hospital. For these reasons, the Hospital is considered a component unit of the County.

The consolidated financial statements of the Hospital are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business-type activities of the County that is attributable to the transactions of the Hospital. They do not purport to, and do not, present the financial position of the County as of December 31, 2017 and the changes in its financial position or its cash flows for the year then ended.

Accounting principles generally accepted in the United States require that these consolidated financial statements present the Hospital and its blended component unit, collectively referred to as the "primary government." The blended component unit, as discussed below, is included in the Hospital's reporting entity because of the significance of its operational or financial relationship with the Hospital. Blended component unit, although legally separate entity, is in substance part of the primary government's operations and exists solely to provide services for the primary government; data from this unit is consolidated with data of the primary government.

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of the Hospital's blended component unit, Putnam County Pain Management Center, LLC (PCPMC), a separate for-profit entity, organized to support the operations of the Hospital by providing pain management services for the benefit of the greater Greencastle area and surrounding communities. The Hospital has a majority ownership (51%) in PCPMC.

All significant intercompany transactions have been eliminated in the consolidated financial statements. The separate financial statements for PCPMC may be obtained through contacting management of the Hospital.

Long-Term Care Operations

The Hospital leases the operations of certain long-term care facilities, by way of arrangements with managers of these facilities, which provide inpatient and therapy services. Generally, gross revenues from the operation of the long-term care 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 are on behalf of the Hospital and the Hospital retains the authority and legal responsibility for the operation of the facilities.

The Hospital entered into lease agreements with the long-term care facilities to lease the facilities managed by the respective managers. Concurrently, the Hospital entered into agreements with the managers to manage the leased facilities. As part of the agreements, the Hospital pays the managers a management fee to continue managing the facilities on behalf of the Hospital in accordance with the terms of the agreements. The agreements expire at various times through 2022. Generally, all parties involved can terminate the agreements without cause with 90 days written notice.

Use of Estimates

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

Measurement Focus and Basis of Accounting

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

Cash and Cash Equivalents

Cash and cash equivalents include deposits and investments in highly liquid debt instruments with an original maturity date of 90 days or less from the date of purchase. 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 it is not exposed to any significant credit risk on cash and cash equivalents.

Patient Accounts Receivable and Net Patient Service Revenue

Patient revenues and the related accounts receivable are recorded at the time services to patients are performed. The Hospital is a provider of services to patients entitled to coverage under Titles XVIII and XIX of the Health Insurance Act (Medicare and Medicaid). The Hospital is classified as Critical Access Status by Medicare and is paid for Medicare services based upon a cost reimbursement methodology. Differences between the total program billed charges and the payments received are reflected as deductions from revenue. At year-end, a cost report for hospital-based services is filed with the Medicare program computing reimbursement amounts related to Medicare patients. The difference between computed reimbursement and interim reimbursement is reflected as a receivable from or payable to the third-party programs. These programs have audited the year-end cost report filed with the Medicare program through the year ended December 31, 2017 with differences reflected as deductions from revenue in the year the cost report is settled. Amounts for unresolved cost reports are reflected in estimated third-party payor settlements on the consolidated balance sheet. During 2017, the Hospital recognized a decrease in net position of approximately \$322,000 in the consolidated statement of revenues, expenses and changes in net position due to the differences between original estimates and subsequent revisions for the final settlement of cost reports. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. Although these audits may result in some changes in these amounts, they are not expected to have a material effect on the accompanying consolidated financial statements.

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

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 customer base.

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 on a sliding scale on the basis of financial need. Because the Hospital does not pursue collection of approved charity care balances, the charges are not reflected in net revenue. Rather, charges approved for charity are posted to gross revenue and subsequently written off as a charity adjustment before the resulting net patient service revenue.

Of the Hospital's total expenses reported within the consolidated statement of revenues, expenses and changes in net position, an estimated $522,000 arose from providing services to charity patients for 2017. 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 Hospital's expenses to gross patient service revenue.

Inventory

Inventory is valued at the lower of cost or net realizable value with cost being determined on the first-in, first-out method. Inventory consists of medical supplies and pharmaceuticals.

Other Current Assets

Other current assets consist primarily of 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 during the next fiscal year.

Assets Whose Use is Limited

Assets whose use is limited are stated at fair value in the consolidated financial statements. These assets include investments designated by the Hospital Board for internal purposes and investments restricted by donors for a specific purpose or time.

These investments consist of cash and cash equivalents. Investment interest, dividends, gains and losses, both realized and unrealized are included in nonoperating revenues (expenses) in the consolidated statement of revenues, expenses and changes in net position.

Capital Assets and Depreciation

Capital assets, which include land and improvements, buildings and improvements, and equipment, are reported at historical cost. Contributed or donated assets are reported at estimated fair value at the time received. The capitalization threshold (the dollar values above which asset acquisitions are added to the capital asset accounts) is $1,000 per item, or a group of items with an aggregate cost of at least $5,000. Depreciation is calculated on the straight-line method over the estimated useful lives of capital assets which range from 3-40 years. For depreciated assets, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives is expensed as incurred and not capitalized.

Net Position

The net position of the Hospital is classified into four components. (1) Net investment in capital assets represents 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. (2) Restricted non-expendable net position includes the principal portion of permanent endowments, if any, and non-controlling interests owned by external investors. (3) Restricted expendable net position includes assets that must be used for a particular purpose, as specified by creditors, grantors, or contributions external to the Hospital. (4) Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted.

Restricted non-expendable net position includes non-controlling interest, which represents the portion of net position that is owned by the investors who are external to and not included in the consolidated financial statements of approximately $73,000 as of December 31, 2017. This relates to the Hospital's blended component unit, PCPMC, in which external investors have a minority, non-controlling financial interest. The total net position activity for the controlling and non-controlling portions related to PCPMC for 2017 follows:

	Controlling interest	Noncontrolling interest	Total
Balance, beginning of year	$ 85,683	$ 82,322	$ 168,005
Net loss	(10,168)	(9,770)	(19,938)
Balance, end of year	$ 75,515	$ 72,552	$ 148,067

Restricted Resources

The Hospital first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Consolidated Statement of Revenues, Expenses and Changes in Net Position

The Hospital's consolidated statement of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, the Hospital's principal activity. Nonoperating revenues include contributions received for purposes other than capital asset acquisition, and other nonoperating activities and are reported as nonoperating revenues or expenses. Operating expenses are generally all expenses incurred to provide health care services, other than interest costs.

Grants and Contributions

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

Advertising and Community Relations

The Hospital expenses advertising and community relations costs as they are incurred. Total expense for 2017 was approximately $266,000.

Compensated Absences

The Hospital's employees earn time off at varying rates depending on years of service under separate policies for sick, vacation and personal leaves. The estimated amount of unused vacation is reported as a liability within the accrued salaries, wages, and related liabilities on the consolidated balance sheet.

Income Taxes

The Hospital is a governmental instrumentality organized under Title 16, Article 22, of the Indiana statues and, accordingly, is generally exempt from federal income tax under Section 115 of the Internal Revenue Code (IRC) of 1986. As a governmental entity under Section 115 of the IRC, the Hospital is not required to file Federal Form 990 – Return of Organization Exempt from Income Tax, which is an informational return only.

PCPMC is a limited liability company and profits and losses are passed through to the members. PCPMC has filed its federal and state income tax returns for periods through December 31, 2017. These income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Hospital and its component unit and recognize a tax liability if the Hospital or its component unit 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 the Hospital and its component unit and has concluded that as of December 31, 2017, 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.

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.

Medical Malpractice

The Indiana Medical Malpractice Act, IC 34-18 (the Act) provides a maximum recovery of $1,650,000 for an occurrence of malpractice until June 30, 2019, and $1,800,000 thereafter. The Act requires the Hospital to maintain medical malpractice liability insurance in the amount of at least $400,000 per occurrence ($8,000,000 in the annual aggregate) until June 30, 2019. Starting July 1, 2019, the Act will require the Hospital to maintain medical malpractice liability insurance in the amount of at least $500,000 per occurrence ($10,000,000 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 exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Hospital has purchased commercial insurance for general liability and employee medical claims.

Litigation

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

Subsequent Events

The Hospital 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 are available to be issued which is September 27, 2021.

Upcoming Accounting Pronouncements

In January 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 84, *Fiduciary Activities*, which will be effective for periods beginning after December 15, 2019. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

In March 2017, the GASB issued GASB Statement No. 85, *Omnibus 2017,* will be effective for periods beginning after June 15, 2017. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits.

In June 2017, the GASB issued GASB Statement No. 87, *Leases*, which will be effective for periods beginning after June 15, 2021. This statement requires 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 March 2018, the GASB issued GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which will be for effective for periods beginning after June 15, 2019. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

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

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

2. ASSETS WHOSE USE IS LIMITED

Deposits with financial institutions in the State of Indiana at year end were entirely insured by the Federal Deposit Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution. Assets whose use is limited include:

Internally designated – Amounts transferred by the Hospital's Board of Trustees through funding depreciation expense. Such amounts are to be used for equipment and building, remodeling, repairing, replacing or making additions to the Hospital's buildings as authorized by IC 16-22-3-13.

Donor restricted – Amounts restricted by donors which include expendable amounts based on donor stipulations.

The composition of assets whose use is limited as of December 31, 2017 follows:

Cash and cash equivalents	
Internally designated	$ 42,204
Donor restricted	202,463
	$ 244,667

3. PATIENT ACCOUNTS RECEIVABLE, ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Patient accounts receivable, accounts payable and accrued expenses included as current assets and liabilities consisted of the following as of December 31, 2017:

Patient accounts receivable	
Receivable from patients and third party payors	$ 7,076,340
Receivable from Medicare	3,848,536
Receivable from Medicaid	1,489,756
Receivable from long-term care operations	14,501,896
Total patient accounts receivable	26,916,528
Contractual allowances	(4,459,011)
Allowance for uncollectible accounts	(6,344,800)
Patient accounts receivable, net	$ 16,112,717
Accounts payable and other accrued liabilities	
Payable to suppliers and other accrued expenses	$ 18,279,373
Payable to employees (including payroll taxes and benefits)	9,266,037
Total accounts payable and other accrued liabilities	$ 27,545,410

4. CAPITAL ASSETS

The following is a progression of capital assets for 2017.

	12/31/16	Additions	Retirements	Transfers	12/31/17
Land	$ 159,363	$ -0-	$ -0-	$ -0-	$ 159,363
Land improvements	329,844	-0-	-0-	-0-	329,844
Buildings and improvements	33,145,669	325,682	-0-	-0-	33,471,351
Equipment	21,911,547	1,613,785	-0-	69,735	23,595,067
Construction in process	276,683	1,235,032	-0-	(69,735)	1,441,980
Total capital assets	55,823,106	3,174,499	-0-	-0-	58,997,605
Accumulated depreciation	(39,471,104)	(2,314,009)	-0-	-0-	(41,785,113)
Capital assets, net	$ 16,352,002	$ 860,490	$ -0-	$ -0-	$ 17,212,492

Outstanding commitments for capital assets as of December 31, 2017 were approximately $1,445,000.

5. LINES OF CREDIT

The Hospital had a line of credit available with First National Bank with a maximum amount of $6,500,000 which matured in January 2017. The line of credit was at a fixed rate of interest of 4.00% and was secured by an indemnifying mortgage on the Hospital's main property location in Green Castle, Indiana with a net book value of $6,500,000. The line of credit was paid in full in January 2017.

In February 2017, the Hospital opened a line of credit for $7,000,000. The Hospital had approximately $3,865,000 outstanding on the line of credit as of December 31, 2017. This line of credit was paid in full on the maturity date in January 2018. In late January 2018, the Hospital opened another line of credit for $7,000,000 that was paid in full on the maturity date in January 2019. The lines of credit matured annually in January with the most recent lines that expired in January 2021. The lines of credit were not renewed after January 2021.

6. LONG-TERM DEBT AND CAPITAL LEASES

Long-term debt as of December 31, 2017 is as follows:

Note payable #34199, due June 2025; fixed interest rate (3.95%), monthly principal and interest payments due in the amount of $38,160; secured by property and equipment with a net book value of approximately $3,000,000 as of December 31, 2017.	$ 2,961,279
Note payable #33860, due June 2025; fixed interest rate (3.95%), monthly principal and interest payments due in the amount of $34,691; secured by property and equipment with a net book value of approximately $3,000,000 as of December 31, 2017.	2,692,072
Note payable #41806, due November 2035; fixed interest rate (4.25%), monthly principal and interest payments due in the amount of $12,071; secured by property and equipment with a net book value of approximately $1,810,000 as of December 31, 2017.	1,805,963
Note payable #351999, due December 2021; fixed interest rate (4.25%), monthly principal and interest payments due in the amount of $16,078; secured by property and equipment with a net book value of approximately $800,000 as of December 31, 2017.	707,819
Note payable #20005520747, due June 2021; fixed interest rate (3.30%), monthly principal and interest payments due in the amount of $8,130; secured by property and equipment with a net book value of approximately $360,000 as of December 31, 2017.	310,269
Note payable #49973, due January 2023; fixed interest rate (4.15%), monthly principal and interest payments due in the amount of $12,906; secured by property and equipment with a net book value of approximately $700,000 as of December 31, 2017.	698,196
Note payable #139787, due July 2022; fixed interest rate (2.79%), monthly principal and interest payments due in the amount of $8,109; secured by property and equipment with a net book value of approximately $420,000 as of December 31, 2017.	411,049
Note payable #139395, due April 2021; fixed interest rate (2.54%), monthly principal and interest payments due in the amount of $9,922; secured by property and equipment with a net book value of approximately $400,000 as of December 31, 2017.	380,168
Note payable #140086, due October 2022; fixed interest rate (2.74%), monthly principal and interest payments due in the amount of $12,835; secured by property and equipment with a net book value of approximately $700,000 as of December 31, 2017.	685,231
Various notes payable to banks, due through January 2033; interest rates ranging from 1.80% to 5.75%, monthly principal and interest payments ranging from $1,202 to $12,639; secured by property and equipment with net book values of approximately $3,000,000 as of December 31, 2017.	613,519
	11,265,565
Current portion	(1,591,414)
	$ 9,674,151

The interest rate for notes payable #34199 and #33860 is reset every 60 months at prime plus 25 basis points with a floor of 3.95% and a ceiling of 7.00%. The interest rate cannot change more than 2% from the previous reset period. The most current rate reset for both notes payable was in June 2020 at 3.95% through June 2025.

The interest rate for note payable #41806 was reset every 60 months at prime plus 100 basis points with a floor of 6.00% and a ceiling of 10.00%. The interest rate cannot change more than 2% from the previous reset period. The interest rate was set in November 2015 at 6.00%. In April 2016, the terms of the note payable were amended to state a fixed interest rate of 4.25% through maturity in November 2035.

The interest rate for note payable #351999 was originally set at fixed 6.50% upon issuance in December 2011. In April 2016, the terms of the note payable were amended to state a fixed interest rate of 4.25% though maturity in December 2021.

Scheduled principal and interest repayments on long-term debt for the years succeeding December 31, 2017 are as follows:

Year Ending December 31,	Principal	Interest	Total
2018	$ 1,591,414	$ 371,191	$ 1,384,811
2019	1,736,672	345,414	2,082,086
2020	1,700,655	282,071	1,982,726
2021	1,533,794	220,893	1,754,687
2022	1,191,414	169,308	1,360,722
2023 - 2027	2,535,347	401,561	2,936,908
2028 - 2032	570,878	149,954	720,832
2033 - 2035	405,391	27,108	432,499
	$ 11,265,565	$ 1,967,500	$ 12,655,271

The Hospital has capital lease obligations for medical equipment through September 2021. Interest rates range from 2.00% to 3.98% with monthly interest and principal payments from $400 to $15,500. The cost of equipment under capital leases was approximately $2,131,000 with accumulated depreciation of $870,000, resulting in net book value of $1,261,000 as of December 31, 2017.

The following is summary of minimum lease payments for years subsequent to December 31, 2017:

Year Ending December 31,	
2018	$ 367,347
2019	310,582
2020	279,159
2021	131,704
	1,088,792
Interest	(92,327)
	$ 996,465

The following is a progression of long-term debt and capital lease obligations for 2017.

	12/31/16	Additions	Payments	12/31/17	Current Portion
Notes payable	$ 10,382,053	$ 2,396,127	$ (1,512,615)	$ 11,265,565	$ 1,591,414
Capital leases	1,338,420	-0-	(341,955)	996,465	327,617
	$ 11,720,473	$ 2,396,127	$ (1,854,570)	$ 12,262,030	$ 1,919,031

7. PATIENT SERVICE REVENUE

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

Medicare

The Hospital is a provider of services to patients entitled to coverage under Titles XVIII and XIX of the Health Insurance Act (Medicare and Medicaid). The Hospital was granted Critical Access Status by Medicare and is paid for Medicare services based upon a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at an interim rate, with final settlement determined after submission of annual cost reports. Differences between the total program billed charges and the payments received are reflected as deductions from revenue. At year-end, a cost report is filed with the Medicare program computing reimbursement amounts related to Medicare patients.

Medicaid and the Indiana Hospital Assessment Fee Program

The Hospital is reimbursed for Medicaid inpatient services under a prospectively determined rate-per-discharge and is not subject to retroactive adjustment. The differences between standard charges and reimbursement from these programs are recorded as contractual adjustments. Reimbursement for Medicaid outpatient services is based on predetermined rates, and is not subject to retroactive cost based settlements.

The Hospital participates in the State of Indiana's Hospital Assessment Fee (HAF) Program. The purpose of the HAF Program is to fund the State share of enhanced Medicaid payments and Medicaid Disproportionate Share (DSH) payments for Indiana hospitals as reflected in the HAF Program expense reported in the consolidated statement of revenues, expenses and changes in net position. Previously, the State share was funded by governmental entities through intergovernmental transfers. The Medicaid enhanced payments relate to both fee for service and managed care claims. The Medicaid enhanced payments are designed to follow the patients and result in increased Medicaid rates. During 2017, the Hospital recognized HAF Program expense of approximately $986,000, which resulted in increased Medicaid reimbursement. The HAF assessments are included in the consolidated statement of revenues, expenses and changes in net position as operating expenses. The Medicaid rate increases under the HAF Program are included in patient service revenue in the consolidated statement of revenues, expenses and changes in net position.

As a governmental entity, the Hospital is also eligible for the Indiana Medicaid Supplemental programs including Medicaid DSH and Municipal Hospital Upper Payment Limit programs. The Hospital recognized reimbursement from these programs within net patient service revenue of approximately $1,093,000 during 2017. These programs are administered by the State of Indiana, but rely on Federal funding.

Other Payors

The Hospital also has entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

The following is a summary of patient service revenue for 2017:

Inpatient services	$ 26,411,205
Outpatient services	61,583,089
Emergency room services	33,167,124
Long-term care services	253,231,410
Gross patient service revenue	374,392,828
Contractual allowances	(192,999,263)
Charity care	(943,109)
Provision for bad debts	(6,309,351)
Deductions from revenue	(200,251,723)
Net patient service revenue	$ 174,141,105

8. EMPLOYEE HEALTH BENEFITS

The Hospital is self-insured for medical and related health benefits provided to employees and their families. A stop/loss policy through commercial insurance covers individual claims in excess of $100,000 per individual per policy year, with an estimated minimum attachment point of approximately $3,000,000 (calculated as twelve times the monthly aggregate factors, times the total number of covered units) where stop loss coverage is phased in when this threshold is reached. The individual and aggregate stop/loss policy covers only health claims incurred by providers other than the Hospital. In-house claims are not covered under the individual and aggregate stop/loss. 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. Claim liabilities are calculated considering the effect of inflation, recent claim settlement trends, including frequency and amounts of payouts, and other economic and social factors. Total health insurance expense for 2017 was approximately $3,535,000. Changes in the balance of claim liabilities during 2017 are as follows:

Unpaid claims	
Beginning of year	$ 247,213
Incurred claims and changes in estimates	3,534,845
Claim payments	(3,402,058)
End of year	$ 380,000

9. PENSION PLANS

The Hospital offers three pension plans to eligible employees, the Putnam County Hospital Money Purchase Pension Trust (401a Plan), the Putnam County Hospital Retirement Plan (403b Plan) and the Putnam County Hospital 457 Plan (457 Plan), collectively referred to as "the Plans". The Plans provide retirement, disability and death benefits to their participants and beneficiaries. The Plans were established by written agreements between the Hospital's Board of Trustees and the administrator of the Plans, Lincoln Financial Group (Lincoln). Information can be obtained for the Plans by contacting Lincoln.

The 401a Plan is funded through Hospital contributions only as employee contributions are not permitted. The Hospital funds the 401a Plan at 4% of eligible compensation as defined by the 401a Plan document. Expense related to the 401a Plan for 2017 was approximately $357,000, net of forfeitures. Employees are eligible to participate in the 401a Plan after completing one year of service as defined by the 401a Plan document with enrollment dates of January 1 and July 1. Vesting begins after 3 years of participation at 20% and increases 20% annually until fully vested at 7 years.

The 403b and 457 Plans are funded by employee only contributions. Therefore, the participants are fully vested at all times in their balances.

10. CONCENTRATIONS OF CREDIT RISK

The Hospital is primarily located in Green Castle, Indiana and grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The mix of gross patient accounts receivable and gross patient revenues from self-pay and third party payors as of and for the year ended December 31, 2017 was as follows:

	Receivables	Revenue
Medicare	31%	43%
Medicaid	12%	12%
Commercial and other payors	32%	40%
Self-pay payors	25%	5%
	100%	100%

11. COMMITMENTS AND CONTINGENCIES

The Hospital has various operating leases for space and equipment that expire at various times through 2021. Expenses related to these leases approximated $389,000 for 2017. Rent expense for facilities and equipment under the long-term care leases discussed in Note 1 was approximately $11,172,000 for 2017. The long-term care leases can be terminated with 90 day notice by either the lessor or the Hospital. Annual rent expense through 2020 will approximate $11,000,000 under these long-term care leases.

The Hospital also leases space to physicians and other medical providers on its main campus and at other ancillary locations. The lease agreements are generally one year commitments that renew automatically for another year. During 2017, the Hospital recognized approximately $552,000 in revenue related to these leases. During 2018 and 2019, the Hospital expects to recognize approximately $500,000 annually in revenue related to these leases.

12. BLENDED COMPONENT UNIT

The Hospital's consolidated financial statements include the accounts of its blended component unit, PCPMC. Below is condensed financial information for PCPMC for 2017.

Balance sheet	
Assets	
Cash	$ 101,761
Accounts receivable, net	73,193
Total assets	$ 174,954
Liabilities	
Accounts payable	$ 2,781
Due to Hospital	24,106
Total liabilities	26,887
Net position	148,067
Total liabilities and net position	$ 174,954
Statement of revenues, expenses and changes in net position	
Revenues	
Net patient service revenue	$ 1,340,339
Expenses	
Salaries and wages	550,901
Professional fees and contract services	397,595
Other	411,781
Total expenses	1,360,277
Change in net position	(19,938)
Net position	
Beginning of year	168,005
End of year	$ 148,067
Statement of cash flows	
Net cash flows from	
Operating activities	$ (19,938)
Capital and related financing activities	55,717
Change in cash and cash equivalents	35,779
Cash	
Beginning of year	65,982
End of year	$ 101,761

More detailed financial information for PCPMC may be obtained through contacting the accounting department of the Hospital.

13. SUBSEQUENT EVENTS

Lines of Credit

The Hospital's lines of credit were closed in January 2021.

Putnam Post-Acute Holdings, LLC

In February 2018, Putnam Post-Acute Holdings, LLC (PPAH) was formed to own and operate an assisted living residence and a skilled nursing facility located in Greentown, Indiana. The Hospital is the sole member of PPAH and consolidates PPAH's financial activities in its financial statements.

PPAH was funded by capital contributions from the Hospital of approximately $4,000,000 and a mortgage payable of $6,680,000 issued by Lancaster Pollard Mortgage Company and insured the Department of Housing and Urban Development. The mortgage payable requires monthly principal and interest payments of $31,000 with interest fixed at 4.40% maturing in September 2035 and is secured by property with a net book value of $7,000,000 at the time of issuance.

In 2020, the Hospital borrowed approximately $600,000 to purchase a building to provide additional physician services. The note payable has fixed interest of 4%, matures 15 years after issuance and is secured by real property with a book value of $600,000.

COVID-19 and Related Funding Programs

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

In 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 $15,929,000 in PRF from the CARES Act through the date the consolidated financial statements were available to be issued. PRF amounts will be recognized to the extent the Hospital meets the terms and conditions related to COVID-19 expenses and lost revenues as outlined by the federal guidelines.

The CARES Act also allows health care providers to request advanced or accelerated payments for Medicare services. The Hospital received approximately $5,286,000 in 2020 of accelerated and advanced Medicare payments under this CARES Act provision through the date the consolidated financial statements were available to be issued. Settlement of these funds began in the second quarter of 2021.

In 2020, the Hospital received a loan from the Paycheck Protection Program (PPP) sponsored by the Small Business Administration (SBA) of approximately $4,389,000. The Hospital met the terms and conditions under PPP guidance and the loan was forgiven by the SBA during 2021.

Under the CARES Act, the Hospital qualified for the Employee Retention Credit (ERC) which is a refundable tax credit against certain employment taxes equal to 50% of the qualified wages an eligible employer pays to employees after March 12, 2020, and before January 1, 2021. Eligible employers can get immediate access to the credit by reducing employment tax deposits they are otherwise required to make. Also, if the employer's employment tax deposits are not sufficient to cover the credit, the employer may get an advance payment from the Internal Revenue Service. In 2021, the Hospital qualified for an ERC credit of approximately $4,878,000 pending federal government approval.