

**REHABILITATION HOSPITAL OF INDIANA, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2020 and 2019

REHABILITATION HOSPITAL OF INDIANA, INC.  
Indianapolis, Indiana

CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2020 and 2019

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## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Rehabilitation Hospital of Indiana, Inc.  
Indianapolis, Indiana

***Report on the Financial Statements***

We have audited the accompanying consolidated financial statements of Rehabilitation Hospital of Indiana, Inc., which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of operations and changes in net assets, consolidated statements of functional expenses and consolidated statements of cash flows for the years then ended, and the related notes to the consolidated financial statements.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

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(Continued)

## **Opinion**

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

## **Other Matter**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating balance sheets and consolidating statements of operations and changes in net assets are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

  
Crowe LLP

Indianapolis, Indiana  
April 26, 2021

REHABILITATION HOSPITAL OF INDIANA, INC.  
CONSOLIDATED BALANCE SHEETS  
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 11,731,468	\$ 13,264,753
Patient accounts receivable	5,703,548	5,816,920
Inventories	272,599	192,088
Prepaid expenses and other current assets	1,569,440	1,358,451
Investments	96,238	96,140
Total current assets	19,373,293	20,728,352
Property and equipment:		
Land	2,877,548	2,877,548
Buildings and improvements	18,976,839	18,243,296
Equipment	17,843,021	17,400,744
Construction-in-progress	5,006,180	949,032
	44,703,588	39,470,620
Less accumulated depreciation	29,647,005	27,775,092
Total property and equipment, net	15,056,583	11,695,528
Total assets	\$ 34,429,876	\$ 32,423,880
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 3,793,732	\$ 3,027,622
Salaries, wages, and related liabilities	2,455,059	2,232,311
Accrued interest	20,331	31,904
Current portion of long-term debt	890,000	840,000
Third-party settlements	1,245,045	1,138,877
Current portion of interest rate swap	-	50,695
Total current liabilities	8,404,167	7,321,409
Long-term debt, net of current portion and unamortized bond issuance costs	9,688,841	10,566,365
Total long-term liabilities	9,688,841	10,566,365
Total liabilities	18,093,008	17,887,774
Net assets:		
Without donor restrictions	15,669,986	13,802,139
With donor restrictions	666,882	733,967
Total net assets	16,336,868	14,536,106
Total liabilities and net assets	\$ 34,429,876	\$ 32,423,880

See accompanying notes to consolidated financial statements.

REHABILITATION HOSPITAL OF INDIANA, INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS  
Years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Revenues without donor restrictions:</b>		
Patient service revenue	\$ 45,024,225	\$ 45,012,041
Other revenue	2,129,964	1,942,962
Grant revenue without donor restrictions	1,465,759	-
Net assets released from restrictions	<u>327,479</u>	<u>236,358</u>
Total unrestricted revenues	48,947,427	47,191,361
<b>Expenses</b>		
Program expenses	36,452,957	35,817,163
Management and general expenses	10,734,578	10,614,954
Fundraising expenses	<u>92,039</u>	<u>59,424</u>
Total expenses	<u>47,279,574</u>	<u>46,491,541</u>
<b>Operating income</b>	1,667,853	699,820
Nonoperating gain:		
Interest income	149,751	385,941
Gain in swap fair value	50,695	62,897
Gain (loss) on disposal of assets	<u>(452)</u>	<u>152</u>
	<u>199,994</u>	<u>448,990</u>
<b>Revenue in excess of expenses</b>	1,867,847	1,148,810
Net assests with donor restrictions:		
Contributions	260,394	296,036
Net assets released from restrictions	<u>(327,479)</u>	<u>(236,358)</u>
Change in net assets with donor restrictions	<u>(67,085)</u>	<u>59,678</u>
<b>Change in net assets</b>	1,800,762	1,208,488
Net assets, beginning of year	<u>14,536,106</u>	<u>13,327,618</u>
<b>Net assets, end of year</b>	<u>\$ 16,336,868</u>	<u>\$ 14,536,106</u>

See accompanying notes to consolidated financial statements.

REHABILITATION HOSPITAL OF INDIANA, INC.  
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES  
Year ended December 31, 2020 (with summary totals for the year ended December 31, 2019)

	Program Service <u>Expenses</u>	Management and General <u>Expenses</u>	Fundraising <u>Expenses</u>	2020 <u>Total</u>	2019 <u>Total</u>
Salaries and wages	\$ 19,387,590	\$ 6,124,140	\$ 28,965	\$ 25,540,695	\$ 25,073,162
Employee benefits	7,225,144	873,977	3,567	8,102,688	7,361,684
Contract and purchased services	3,300,618	2,505,205	2,552	5,808,375	6,403,210
Supplies	3,195,217	631,136	55,901	3,882,254	3,954,034
Utilities and other	1,098,799	596,140	-	1,694,939	1,578,729
Depreciation and amortization	1,882,410	3,847	-	1,886,257	1,709,377
Interest	363,179	133	1,054	364,366	411,345
	<u>\$ 36,452,957</u>	<u>\$ 10,734,578</u>	<u>\$ 92,039</u>	<u>\$ 47,279,574</u>	<u>\$ 46,491,541</u>

See accompanying notes to consolidated financial statements.

REHABILITATION HOSPITAL OF INDIANA, INC.  
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES  
Year ended December 31, 2019

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	<u>Program Service Expenses</u>	<u>Management and General Expenses</u>	<u>Fundraising Expenses</u>	<u>2019 Total</u>
Salaries and wages	\$ 19,331,426	\$ 5,719,483	\$ 22,253	\$ 25,073,162
Employee benefits	6,665,301	695,236	1,147	7,361,684
Contract and purchased services	3,653,065	2,750,145	-	6,403,210
Supplies	3,232,806	685,204	36,024	3,954,034
Utilities and other	987,814	590,915	-	1,578,729
Depreciation and amortization	1,569,117	140,260	-	1,709,377
Interest	<u>377,634</u>	<u>33,711</u>	<u>-</u>	<u>411,345</u>
	<u>\$ 35,817,163</u>	<u>\$ 10,614,954</u>	<u>\$ 59,424</u>	<u>\$ 46,491,541</u>

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See accompanying notes to consolidated financial statements.



REHABILITATION HOSPITAL OF INDIANA, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
Years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 1,800,762	\$ 1,208,488
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	1,886,257	1,709,377
Unrealized gain on investments	(98)	(12,360)
Change in interest rate swap agreement	(50,695)	(62,897)
Gain on disposal of assets	452	(152)
Changes in operating assets and liabilities:		
Patient accounts receivable	113,372	1,951,964
Inventories, prepaid expenses, and other assets	(291,500)	(439,234)
Accounts payable and other accrued liabilities	766,110	(202,750)
Salaries, wages, and related liabilities	222,748	351,439
Accrued interest	(11,573)	(100,444)
Estimated third-party settlements	106,168	121,362
Net cash from operating activities	<u>4,542,003</u>	<u>4,524,793</u>
 <b>Cash flows from investing activities</b>		
Purchase of property and equipment	<u>(5,235,288)</u>	<u>(3,078,128)</u>
Net cash from investing activities	<u>(5,235,288)</u>	<u>(3,078,128)</u>
 <b>Cash flows from financing activities</b>		
Repayments on long-term borrowings	<u>(840,000)</u>	<u>(785,000)</u>
Net cash from financing activities	<u>(840,000)</u>	<u>(785,000)</u>
 Net change in cash and cash equivalents	(1,533,285)	661,665
 Cash and cash equivalents:		
Beginning of year	<u>13,264,753</u>	<u>12,603,088</u>
 <b>End of year</b>	<u>\$ 11,731,468</u>	<u>\$ 13,264,753</u>
 Supplemental disclosures of cash flow information:		
Cash paid during year for interest	\$ 316,847	\$ 357,645

At December 31, 2020 and 2019 other non-cash transactions related to \$778,336 and \$1,308 of construction in process additions recorded within accounts payable.

See accompanying notes to consolidated financial statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization: Rehabilitation Hospital of Indiana, Inc. (the "Hospital" or "RHI") operates a freestanding specialty medical rehabilitation hospital located in Indianapolis, Indiana. The Hospital provides short-term, comprehensive rehabilitation services to patients, and its programs are designed to restore physical, cognitive and psychosocial functions following an incident of acute illness or trauma. Inpatient and outpatient therapy and support services provided by the Hospital include physical and occupational therapy, speech therapy, recreational therapy, activities of daily living, rehabilitation nursing, psychology, and social services and cognitive retraining.

Not-for-profit corporations St. Vincent Health, Inc. and IU Health are the corporate members of the Hospital. The agreement contains provisions for working capital loans and support of the Hospital upon mutual agreement by the corporate members. The joint venture agreement was amended effective January 1, 2012 to modify RHI's membership interest to be held 51% by IU Health and 49% St. Vincent Healthcare, Inc.

Included within the operations of the Hospital is Rehabilitation Hospital Foundation, Inc. (the "Foundation") which was established to promote and support the mission of the Hospital. The Hospital is the sole corporate member of the Foundation. All significant intercompany accounts have been eliminated in consolidation.

Basis of Consolidation: The accompanying consolidated financial statements include the accounts of Rehabilitation Hospital of Indiana, Inc. and Rehabilitation Hospital Foundation, Inc. (collectively referred to as the "Hospital"). All transactions between affiliated organizations have been eliminated in consolidation.

Charity Care and Community Benefit: The Hospital provides medical care to all patients regardless of their ability to pay. A patient is classified as charity care in accordance with certain established policies and is provided care without charges or at amounts less than established rates. Because collection of amounts determined to qualify as charity care is not pursued, such amounts are not reported as revenue. Records are maintained to identify and monitor the level of charity care provided including the amount of charges foregone for services and supplies furnished.

The Hospital provides certain services to benefit the community. These services (for which a nominal or no amount is charged) are based on the most recent community health needs assessment which was performed in 2018. The needs identified in this assessment which RHI can reasonably impact are identified as: Obesity and Diabetes, Drug and Alcohol Abuse and Social Determinants of Health. Sports physicals provided to students in the Indianapolis Public Schools (IPS) and the RHI Community Fitness Program for members of the community with disabilities; research and preparation for a 2020 drug takeback program; sponsoring a reading program and providing packs of food for elementary age children in our local IPS school are some of the ways in which RHI reached out to benefit our local community. The cost of these services are included in operating expenses.

The Hospital has a process whereby it attempts to obtain complete household income information prior to admission from patients who came as self-pay or Medicaid pending. This process allows the Hospital to identify in advance patients that qualify for financial assistance and improve the identification of charity care cases. For additional discussion on charity care, see Note 2.

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

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(Continued)

REHABILITATION HOSPITAL OF INDIANA, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2020 and 2019

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Cash and Cash Equivalents: For the purpose of the consolidated statements of cash flows, cash includes cash and cash equivalents with original maturities of 90 days or less. The Hospital places its cash and cash equivalents with institutions with high credit quality. However, at certain times, such cash and cash equivalents may be in excess of government-provided insurance limits. The Federal Deposit Insurance Corporation (FDIC) insures up to \$250,000 per financial institution.

Patient Accounts Receivable, Estimated Third-Party Settlements, and Patient Service Revenue: Patient accounts receivable and patient service revenue are reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered.

Estimated retroactive adjustments as provided by reimbursement agreements with certain third-party payors are included with patient service revenue and estimated third-party payor receivables or payables. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined. The Hospital incurred audits related to target probe and educate ("TPE") audits, Supplemental Medical Review/Specialty Contractor ("SMRC") and cost report settlement audits during 2020 and 2019. The Hospital recorded reserves of \$1,245,045 and \$1,138,877 as of December 31, 2020 and 2019, respectively.

The Hospital receives payment for services rendered from federal and state agencies (under the Medicare and Medicaid programs), managed care health plans, commercial insurance companies, employers, and patients. During the years ended December 31, 2020 and 2019, approximately 40% and 39%, respectively, of the Hospital's net revenues related to patients participating in the Medicare program, 12% and 6%, respectively, from the Medicaid program, 23% and 21%, respectively, from a specific managed care payor, and 25% and 34%, respectively, from other payor types.

The Hospital recognizes that revenue and receivables from government agencies are significant to the Hospital's operations but does not believe that there are significant credit risks associated with these governmental agencies. At December 31, 2020 and 2019, the Hospital has 34% and 42%, respectively, of net accounts receivable due from Medicare, and 50% and 25%, respectively, of net accounts receivable due from a specific managed care payor. The Hospital does not believe that there are any other significant concentrations of revenues from any particular payor that would subject the Hospital to any significant credit risks in the collection of its accounts receivable.

Inventories: Inventories are stated at the lower of cost or net realizable value, with cost determined by the first-in, first-out (FIFO) method.

Property and Equipment and Depreciation: Property and equipment additions greater than \$500 and with a life of three or more years, including betterments of existing facilities, are recorded at cost. Property and equipment are stated at cost less accumulated depreciation. Depreciation is provided by use of the straight-line method over the estimated useful lives of the assets. When properties are retired or otherwise disposed of, the appropriate accounts are relieved of cost and accumulated depreciation, and any resulting gain or loss is recognized.

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(Continued)

REHABILITATION HOSPITAL OF INDIANA, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2020 and 2019

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Long-lived assets, such as buildings and improvements, and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the consolidated balance sheets and reported at the lower of the carrying amount or fair value less costs to sell and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the consolidated balance sheets as well. Depreciation expense for the years ended December 31, 2020 and 2019 was \$1,873,780 and \$1,696,046, respectively.

The assets' estimated lives used in computing depreciation are as follows:

Buildings and improvements	5 - 30 years
Equipment	3 - 15 years

Construction-in-progress represented costs incurred to date for building expansion. The Hospital has no committed amounts related to the architectural design, construction, and furnishing related to the building expansion as of December 31, 2020. The Hospital's project for building expansion with a total estimated cost of approximately \$13,500,000 is projected to be completed in 2022, of which \$4,240,266 of capital expenditures had been incurred as of December 31, 2020 and is recorded within construction-in-progress.

Debt Issuance Costs: Costs incurred in connection with the issuance of debt are capitalized and amortized by the effective-yield method, over the term of the related debt. Debt issuance costs of \$116,000 were incurred during 2016 related to the amended Series 2011 term bonds. Accumulated amortization of deferred financing costs at December 31, 2020 and 2019 is \$59,419 and \$46,943, respectively. Amortization expense for the years ending December 31, 2020 and 2019 is \$12,477 and \$13,331, respectively.

Derivatives and Hedging: The Hospital entered into an interest swap agreement with a financial institution to fix the rate on the bonds. The Hospital accounts for this arrangement under Accounting Standards Codification ("ASC") 815-10 as a cash flow hedge, which is not deemed effective. Accordingly, the value of the derivative at December 31, 2020 and 2019 has been reflected at fair value on the consolidated balance sheets with the offset being reflected in operating expenses.

Medical Malpractice: The Hospital maintains medical malpractice insurance coverage on a claims-made basis. The Indiana Medical Malpractice Act provides for a maximum recovery of \$1,800,000 per occurrence for professional liability, \$500,000 of which would be paid through malpractice insurance coverage which the Hospital obtains through IU Health Risk Retention Group and the balance would be paid by the State of Indiana Patient Compensation Fund.

At December 31, 2020, the Hospital has \$642,903 of claims covered by its insurance carrier for which an insurance recoverable is included within prepaid expenses and other current assets and a liability is included within accounts payable and other accrued liabilities on the consolidated balance sheet. The Hospital has estimated an incurred but not reported liability for \$56,868 and \$76,471 at December 31, 2020 and 2019, respectively, which is included in accounts payable and other accrued liabilities on the consolidated balance sheets.

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(Continued)

REHABILITATION HOSPITAL OF INDIANA, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2020 and 2019

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Revenue in Excess of Expenses: The consolidated statements of operations include the revenue in excess of expenses as the performance indicator. Changes in net assets that are excluded from revenue in excess of expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions which, by donor restriction, were to be used for the purposes of acquiring such assets).

Contributions: Unconditional donor pledges to give cash, marketable securities, and other assets are reported at fair value at the date the pledge is made to the extent estimated to be collectible by the Hospital. Conditional donor promises to give and indications of intentions to give are not recognized until the condition is satisfied. Pledges received with donor restrictions that limit the use of the donated assets are reported as with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are transferred to revenues without donor restrictions and reported as unrestricted revenue in the statement of operations. Pledges and gifts received with a donor restriction that is satisfied in the same year that the pledge or gift is made are recorded as revenue without donor restrictions in the statement of operations.

Description of Net Assets: Net assets are classified into categories based upon the presence or absence of donor restrictions. Net assets with donor restrictions are those whose use by the Hospital has been limited by donors to a specific time period or purpose. These funds are primarily restricted to employee loans, research and sports programs. All other assets are considered without donor restrictions.

Income Taxes and Uncertain Tax Positions: The Hospital is a not-for-profit corporation pursuant to Section 501(c)(3) of the Internal Revenue Code and is exempt from income taxes on related income pursuant to Section 501(a). Accordingly, no provision for income taxes is required for the Hospital in the consolidated financial statements.

A tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded.

The Hospital is no longer subject to examination by U.S. federal taxing authorities for years before 2014 and for all state income taxes through 2015. The Hospital does not expect the total amount of unrecognized tax positions to significantly change in the next 12 months. The Hospital would recognize interest and/or penalties related to income tax matters in income tax expense. The Hospital has no amounts accrued for interest or penalties as of December 31, 2020 and 2019.

Advertising Costs: The Hospital expenses advertising costs as incurred. Advertising costs for the years ended December 31, 2020 and 2019 were \$239,409 and \$211,266, respectively.

Fair Value of Financial Instruments: The Hospital's carrying amount for its financial instruments, which include investments and liabilities associated with the interest rate swap at December 31, 2020 and 2019 are carried at their estimated fair values. The estimated fair value amounts have been determined by the Hospital using available market information and appropriate valuation techniques. Considerable judgment is required in interpreting market data and developing these estimates.

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Functional Allocation of Expenses: The costs of providing the various services and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the activities and supporting services (also referred to as fundraising) benefited. The expenses that are allocated include certain salaries and benefits, which are allocated using estimates of time and effort, as well as depreciation and interest expenses which are allocated based on square footage.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to December 31, 2020 to determine the need for any adjustments to and/or disclosures within the financial statements for the year ended December 31, 2020. Management has performed their analysis through April 26, 2021, the date the financial statements were issued.

**NOTE 2 - PATIENT SERVICE REVENUE**

Patient care service revenue is reported at the amount that reflects the consideration to which the Hospital 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 Hospital bills the patients and third-party payors several days after the services are performed and/or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Patients have roughly 120 days to make acceptable payment arrangements in order to avoid going to a collection agency. Interest-free internal payment arrangements are available if the balance can be paid off within one year.

Performance obligations are determined based on the nature of the services provided by the Hospital. Revenue for performance obligations satisfied over time is recognized based on actual services performed in relation to the total expected (or actual) services or is recognized as services are performed depending on the payor and the type of service performed. The Hospital 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 in our hospital receiving inpatient acute care services.

The Hospital measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. Revenue for performance obligations satisfied at a point in time is recognized when services are provided.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Hospital has elected and 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 above 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.

The Hospital determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Hospital's policy, and/or implicit price concessions provided to uninsured patients. The Hospital determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policy, and historical experience. The Hospital determines its estimate of implicit price concessions based on its historical collection experience from that category of payor.

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**NOTE 2 - PATIENT SERVICE REVENUE** (Continued)

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 outlier cost and stay cases may be subject to additional reimbursement. 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 Daily rates or per discharge rates.
- Other: Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined daily rates, per case rates or percent of charge reimbursement.

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 Hospital'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 Hospital. In addition, the contracts the Hospital has with commercial payors also provide for retroactive audit and review of claims.

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 Hospital's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of the 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 or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in transaction price were not significant for the years ending December 31, 2020 and 2019.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Hospital also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. The Hospital 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. For the years ending December 31, 2020 and 2019, no significant adjustments to revenue were recognized due to changes in the estimates of implicit price concessions for performance obligations satisfied in prior years.

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(Continued)

REHABILITATION HOSPITAL OF INDIANA, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2020 and 2019

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**NOTE 2 - PATIENT SERVICE REVENUE** (Continued)

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. Bad debt expense for the years ending December 31, 2020 and 2019 was not significant.

For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), a significant allowance for doubtful accounts is recorded on the basis of historical experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. An estimate of the difference between contracted rates and amounts actually collected, after all reasonable collection efforts have been exhausted, is charged to the provision for bad debts and credited to the allowance for doubtful accounts.

Consistent with the Hospital's mission, care is provided to patients regardless of their ability to pay. Therefore, the Hospital 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 Hospital expects to collect based on its collection history with those patients. Patients who meet the Hospital's criteria for financial assistance or charity are provided care at amounts less than established rates or without charge. Such amounts determined to qualify are not reported as revenue. Records are maintained to identify and monitor the level of financial assistance and charity care provided including the amount of charges foregone for services and supplies furnished. The Hospital uses its direct and indirect costs of providing this care as the measurement basis for financial assistance and charity care disclosures.

The estimated cost incurred by the Hospital to provide these services to patients who are unable to pay was approximately \$32,910 and \$79,230 for the years ending December 31, 2020 and 2019, respectively. The estimated cost of these charity care services was determined using a ratio of cost to gross charges and applying that ratio to the gross charges associated with providing care to charity patients for the period.

Gross charges associated with providing care to charity patients includes only the related charges for those patients who are financially unable to pay and qualify under the Hospital's charity care policy and that do not otherwise qualify for reimbursement from a governmental program. During 2020 and 2019, the Hospital did not receive any funds to help defray the costs of indigent charity care.

The composition of net patient care service revenue by payor is as follows:

	<u>2020</u>	<u>2019</u>
Medicare	\$ 18,080,640	\$ 18,653,566
Medicaid	5,129,861	3,125,845
Other	<u>21,813,724</u>	<u>23,232,630</u>
Total	<u>\$ 45,024,225</u>	<u>\$ 45,012,041</u>

The Hospital has elected the practical expedient and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the Hospital's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less. However, the Hospital does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

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(Continued)



REHABILITATION HOSPITAL OF INDIANA, INC.  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 December 31, 2020 and 2019

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**NOTE 3 - LINE OF CREDIT**

At December 31, 2019 the Hospital had an available line of credit of \$1,000,000. There were no amounts borrowed on the line of credit as of December 31, 2019. Interest is payable at one-month LIBOR rate plus 0.85% (2.60% at December 31, 2019). This line is secured by guarantees of corporate member Hospitals and upon the sixth amendment, dated June 29, 2019, an annual fee is payable quarterly at .10% of the maximum principal amount available. The agreement also contains various loan covenants. The line expired December 31, 2020.

**NOTE 4 - LONG-TERM DEBT**

Long-term debt at December 31, 2020 and 2019, consists of the following:

	<u>2020</u>	<u>2019</u>
Indiana Health Faculty Financing Authority Adjustable Convertible Extendible Securities Hospital Revenue Bonds, Series 2011 Term Bonds, payable through November 2031, subject to mandatory redemption. Interest payable monthly at fixed rate of 2.22% at December 31, 2020	\$ 10,635,000	\$ 11,475,000
Less unamortized bond issuance costs	(56,159)	(68,635)
Less current portion of long-term debt	<u>(890,000)</u>	<u>(840,000)</u>
Long-term debt, net of current portion and unamortized bond issuance costs	<u>\$ 9,688,841</u>	<u>\$ 10,566,365</u>

At December 31, 2020, maturities of long-term debt are as follows:

<u>Year Ending</u>	
2021	\$ 890,000
2022	905,000
2023	920,000
2024	940,000
2025	950,000
Thereafter	<u>6,030,000</u>
Total	<u>\$ 10,635,000</u>

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(Continued)

REHABILITATION HOSPITAL OF INDIANA, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2020 and 2019

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**NOTE 4 - LONG-TERM DEBT** (Continued)

During November 2011, the Hospital, through the Indiana Health Facility Financing Authority, issued \$16,420,000 of Series 2011 Bonds. The proceeds from the bond issuance were used to pay the remaining balance outstanding on the Series 1990 Bonds, with the remainder of the proceeds established for future capital improvement projects of the Hospital.

The interest rate on the Series 2011 Bonds is determined on a weekly basis, payable on the first business day of each calendar month. As provided in the various bond agreements, the interest rate determination is subject to conversion to other interest modes, which determine the frequency dates, and calculation of interest payables. The Hospital and Rate-Setting Agent can change to another interest mode by giving notice.

Except as permitted by the Master Trust Indenture, the Hospital may not grant a mortgage or make a specific pledge of its revenue. In addition, the various agreements contain certain restrictive covenants including minimum debt service coverage ratios and limitations on additional borrowings. The Hospital was in compliance with their debt covenants as of December 31, 2020 and 2019.

In October 2016, the Hospital entered into an amendment with the existing Series 2011 Bonds. The amendment converted the interest rate to a 2.22% fixed rate effective October 31, 2016. No letter of credit requirement is included within the amendment.

Interest Rate Swap: In January 2006, the Hospital entered into an interest rate swap arrangement to fix the interest rate to better estimate future cash flows and reduce interest rate risk with a notional amount of \$11,900,000. The arrangement requires the Hospital to pay interest at a fixed rate of 3.98% and receive payments from the financial institution based on the Securities Industry and Financial Markets Association Municipal bond market index. The spread paid by the Hospital is based upon the achievement of certain financial ratios.

This arrangement expired in November 2020. The fair value of this agreement amounted to a liability of \$50,695 at December 31, 2019. The gain of \$50,695 and \$62,897 for 2020 and 2019, respectively, related to this arrangement is included in revenue in excess of expenses on the consolidated statements of operations and changes in net assets.

**NOTE 5 - RETIREMENT PLAN**

The Hospital has established a defined contribution retirement plan (the Plan) which covers substantially all employees; however, there are different provisions for the discretionary contribution and the matching contribution, as defined separately below.

For an employee to be eligible for the discretionary contribution component of the Plan, the employee must have worked at least 1,000 hours in the last 12 months and have been employed a minimum of one year as of December 31. This plan exercises a "cliff" vesting schedule, where employees are not vested until they have reached three years of service (effective January 1, 2007), at which time they are fully vested.

For the 401(k) matching component of the Plan, the employee is not eligible for the match until one year of service is achieved. The employee is immediately 100% vested in the employer matching component of the Plan. Contributions by the Hospital for the 401(k) matching contribution are based on the employees' annual earnings. Contributions of \$718,272 and \$668,634 were expensed in 2020 and 2019, respectively.

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(Continued)

REHABILITATION HOSPITAL OF INDIANA, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2020 and 2019

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**NOTE 6 - RELATED PARTY TRANSACTIONS**

The Hospital contracts with affiliates of IU Health, St. Vincent Health, and United Hospital Services for various services. Fees for laundry, linen, laboratory, insurance, physician services and overlap payments amounted to \$1,356,578 and \$1,237,550 in 2020 and 2019, respectively. Included in the 2020 and 2019 accounts payable and other accrued liabilities on the consolidated balance sheets are fees of \$1,082,299 and \$865,808, respectively.

**NOTE 7 - EMPLOYEE HEALTH BENEFIT PLAN**

The Hospital participates in a self-funded health insurance plan covering substantially all employees. Covered services include medical benefits and prescription drugs. The plan has annual reinsurance coverage for a maximum eligible claim expense per incident per covered person in excess of \$185,000 for the first incident, and \$145,000 for each subsequent incident per covered person. The Hospital recorded a provision for claims incurred but not reported, which amounted to \$402,617 and \$344,625 at December 31, 2020 and 2019, respectively, and is included in salaries, wages, and related liabilities on the consolidated balance sheets. Expenses of the plan for 2020 and 2019 were \$3,097,693 and \$2,499,178, respectively. The plan included four claimants who exceeded the stop-loss during 2019. The Hospital recorded a re-insurance receivable, related to these claims, included within prepaid expenses and other current assets on the consolidated balance sheets of \$155,496 as of December 31, 2019. There were no claimants who exceeded the stop-loss during 2020.

**NOTE 8 - OPERATING LEASES**

The Hospital leases facilities and equipment under operating leases expiring at various dates through August 2024. Total rental expense in 2020 and 2019 for all operating leases was \$643,670 and \$644,310, respectively. The following is a schedule by year of future minimum lease payments under operating leases as of December 31, 2020, that have initial or remaining lease terms in excess of one year.

2021	\$ 353,204
2022	222,003
2023	165,375
2024	<u>50,986</u>
	<u>\$ 791,568</u>

**NOTE 9 - CONTINGENCIES**

The Hospital is the defendant in certain litigation arising in the ordinary course of business. In the opinion of management, such items are adequately covered by insurance or their ultimate outcome will not have a material impact on the financial position of the Hospital.

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(Continued)

REHABILITATION HOSPITAL OF INDIANA, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2020 and 2019

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**NOTE 10 - NON-COMPETE AGREEMENT**

As part of the joint venture agreement to form the Hospital, the corporate members entered into a non-compete agreement in effect for the term of the joint venture and for a period of thirty-six months after its termination. The non-compete agreement prohibits the members, directly or indirectly, from providing adult inpatient rehabilitation medicine services or outpatient rehabilitation services that compete with services provided by the Hospital within Marion and contiguous counties.

**NOTE 11 - LIQUIDITY AND AVAILABILITY**

The Hospital's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date comprise the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 11,731,468	\$ 13,264,753
Accounts receivable	5,703,548	5,816,920
Investments	96,238	96,140
Less: Net assets with donor restrictions	<u>(666,882)</u>	<u>(733,967)</u>
	<u>\$ 16,864,372</u>	<u>\$ 18,443,846</u>

The Hospital has certain donor-restricted assets limited to use which are available for general expenditures within one year in the normal course of operations. Accordingly, these assets have been included in the quantitative information above for financial assets to meet general expenditures within one year.

As part of the Hospital's liquidity management plan, the Hospital invests its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Hospital has a goal to maintain financial assets on hand to meet 60-90 days of normal operating expenses, which are, on average \$7,880,000 - \$11,820,000. As part of the Hospital's liquidity management plan, cash in excess of monthly requirements is invested in money market funds based on the Hospital's investment policy. The Hospital typically collects accounts receivable within one year of the date of service.

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(Continued)

REHABILITATION HOSPITAL OF INDIANA, INC.  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 December 31, 2020 and 2019

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**NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purposes:		
Sports and Opportunity	\$ 397,706	\$ 465,020
Research	256,288	254,899
Assistance	<u>14,620</u>	<u>14,048</u>
	<u>\$ 666,882</u>	<u>\$ 733,967</u>

Net assets released from donor restrictions are as follows:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purposes:		
Sports and Opportunity	\$ 266,779	\$ 208,580
Research	<u>60,700</u>	<u>27,778</u>
	<u>\$ 327,479</u>	<u>\$ 236,358</u>

**NOTE 13 – RISKS AND UNCERTAINTIES**

COVID-19 Pandemic: In March 2020, the World Health Organization declared a pandemic related to the rapidly spreading coronavirus (“COVID-19”) outbreak, which has led to a global health emergency. The extent to which the COVID-19 pandemic may impact the financial condition or results of the Company’s operations is uncertain and cannot be predicted fully at this time. The nature and extent of the final impact may depend on a number of factors, including: the duration and extent of the pandemic; the nature and duration of the pandemic’s impact on the Company’s healthcare services, and the nature and duration of the pandemic’s impact on the Company’s business partners, vendors, and patients, all of which are uncertain and cannot be predicted fully. The Company continues to evaluate the impact of the COVID-19 pandemic on its business and to monitor pandemic-related developments.

The Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) became law on March 27, 2020. This Federal response to the market volatility and instability resulting from the coronavirus pandemic includes provisions to support individuals and businesses in the form of loans, grants, and tax changes, among other types of relief. The CARES Act authorized \$175 billion in payments to be distributed through the Public Health and Social Services Emergency Fund (“Provider Relief Funds” or “PRF”). Payments from the PRF are not loans; however, PRF funds are required to be paid back if not fully utilized by June 30, 2021. During the year ended 2020, the Company received payments of \$1,465,759 from the Provider Relief Fund.

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**NOTE 13 – RISKS AND UNCERTAINTIES** (Continued)

The Company has elected to account for the PRF proceeds received as a conditional contribution in accordance with Subtopic 958-605. Under Subtopic 958-605, the PRF proceeds are initially recorded as a deferred grant liability and subsequently recognized as grant revenue when the Organization has substantially met all terms and conditions of the grant. The Company's assessment of whether the terms and conditions for amounts received have been substantially met considers, among other things, the terms of the CARES Act and the Consolidation Appropriation Act of 2021 (CAA), and all other interpretive guidance issued by the U.S. Department of Human and Health Services. Such guidance sets forth the allowable methods for quantifying eligible healthcare related expenses and lost revenues. Only healthcare related expenses attributable to coronavirus that another source has not reimbursed and is not obligated to reimburse are eligible to be claimed. Based on the Company's assessment, the company has recognized \$1,465,759 of grant revenue recorded within grant revenue without donor restrictions.

**SUPPLEMENTARY INFORMATION**

REHABILITATION HOSPITAL OF INDIANA, INC.  
CONSOLIDATING BALANCE SHEET  
December 31, 2020

	<u>RHI</u>	<u>Foundation</u>	<u>Total Before Eliminations</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 11,155,965	\$ 575,503	\$ 11,731,468	\$ -	\$ 11,731,468
Patient accounts receivable	5,703,548	-	5,703,548	-	5,703,548
Inventories	272,599	-	272,599	-	272,599
Prepaid expenses and other current assets	1,521,635	47,805	1,569,440	-	1,569,440
Investments	<u>281</u>	<u>95,957</u>	<u>96,238</u>	-	<u>96,238</u>
Total current assets	18,654,028	719,265	19,373,293	-	19,373,293
Property and equipment:					
Land	2,877,548	-	2,877,548	-	2,877,548
Buildings and improvements	18,976,839	-	18,976,839	-	18,976,839
Equipment	17,745,909	97,112	17,843,021	-	17,843,021
Construction-in-progress	<u>5,006,180</u>	<u>-</u>	<u>5,006,180</u>	-	<u>5,006,180</u>
	44,606,476	97,112	44,703,588	-	44,703,588
Less accumulated depreciation	<u>29,561,337</u>	<u>85,668</u>	<u>29,647,005</u>	-	<u>29,647,005</u>
Total property and equipment, net	15,045,139	11,444	15,056,583	-	15,056,583
Other assets					
Due from foundation	<u>1,082,299</u>	<u>-</u>	<u>1,082,299</u>	<u>(1,082,299)</u>	<u>-</u>
Total other assets	1,082,299	-	1,082,299	(1,082,299)	-
Total assets	<u>\$ 34,781,466</u>	<u>\$ 730,709</u>	<u>\$ 35,512,175</u>	<u>\$ (1,082,299)</u>	<u>\$ 34,429,876</u>



REHABILITATION HOSPITAL OF INDIANA, INC.  
CONSOLIDATING BALANCE SHEET  
December 31, 2020

<b>LIABILITIES AND NET ASSETS</b>	<u>RHI</u>	<u>Foundation</u>	<u>Total Before Eliminations</u>	<u>Eliminations</u>	<u>Consolidated</u>
Current liabilities:					
Accounts payable and other accrued liabilities	\$ 3,742,785	\$ 50,947	\$ 3,793,732	\$ -	\$ 3,793,732
Salaries, wages, and related liabilities	2,455,059	-	2,455,059	-	2,455,059
Accrued interest	20,331	-	20,331	-	20,331
Current portion of long-term debt	890,000	-	890,000	-	890,000
Third-party settlements	1,245,045	-	1,245,045	-	1,245,045
Current portion of interest rate swap	-	-	-	-	-
Total current liabilities	<u>8,353,220</u>	<u>50,947</u>	<u>8,404,167</u>	<u>-</u>	<u>8,404,167</u>
Due to Hospital	-	1,082,299	1,082,299	(1,082,299)	-
Long-term debt	<u>9,688,841</u>	<u>-</u>	<u>9,688,841</u>	<u>-</u>	<u>9,688,841</u>
Total long-term liabilities	9,688,841	1,082,299	10,771,140	(1,082,299)	9,688,841
Total liabilities	18,042,061	1,133,246	19,175,307	(1,082,299)	18,093,008
Net assets:					
Without donor restrictions	16,739,405	(1,069,419)	15,669,986	-	15,669,986
With donor restrictions	<u>-</u>	<u>666,882</u>	<u>666,882</u>	<u>-</u>	<u>666,882</u>
Total net assets	<u>16,739,405</u>	<u>(402,537)</u>	<u>16,336,868</u>	<u>-</u>	<u>16,336,868</u>
Total liabilities and net assets	<u>\$ 34,781,466</u>	<u>\$ 730,709</u>	<u>\$ 35,512,175</u>	<u>\$ (1,082,299)</u>	<u>\$ 34,429,876</u>

REHABILITATION HOSPITAL OF INDIANA, INC.  
CONSOLIDATING BALANCE SHEET  
December 31, 2019

	<u>RHI</u>	<u>Foundation</u>	<u>Total Before Eliminations</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 12,992,613	\$ 272,140	\$ 13,264,753	\$ -	\$ 13,264,753
Patients accounts receivable	5,816,920	-	5,816,920	-	5,816,920
Inventories	192,088	-	192,088	-	192,088
Prepaid expenses and other current assets	1,319,784	38,667	1,358,451	-	1,358,451
Investments	<u>280</u>	<u>95,860</u>	<u>96,140</u>	-	<u>96,140</u>
Total current assets	20,321,685	406,667	20,728,352	-	20,728,352
Property, plant and equipment, net					
Land	2,877,548	-	2,877,548	-	2,877,548
Buildings and improvements	18,243,296	-	18,243,296	-	18,243,296
Equipment	17,303,632	97,112	17,400,744	-	17,400,744
Construction-in-progress	<u>949,032</u>	-	<u>949,032</u>	-	<u>949,032</u>
	39,373,508	97,112	39,470,620	-	39,470,620
Less accumulated depreciation	<u>27,693,270</u>	<u>81,822</u>	<u>27,775,092</u>	-	<u>27,775,092</u>
Property and equipment, net	11,680,238	15,290	11,695,528	-	11,695,528
Other assets					
Due from foundation	<u>856,808</u>	-	<u>856,808</u>	<u>(856,808)</u>	-
Total other assets	<u>856,808</u>	-	<u>856,808</u>	<u>(856,808)</u>	-
Total assets	<u>\$ 32,858,731</u>	<u>\$ 421,957</u>	<u>\$ 33,280,688</u>	<u>\$ (856,808)</u>	<u>\$ 32,423,880</u>

REHABILITATION HOSPITAL OF INDIANA, INC.  
CONSOLIDATING BALANCE SHEET  
December 31, 2019

	<u>RHI</u>	<u>Foundation</u>	<u>Total Before Eliminations</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>LIABILITIES AND NET ASSETS</b>					
Current liabilities:					
Accounts payable and other accrued liabilities	\$ 3,013,438	\$ 14,184	\$ 3,027,622	\$ -	\$ 3,027,622
Salaries, wages, and related liabilities	2,232,311	-	2,232,311	-	2,232,311
Accrued interest	31,904	-	31,904	-	31,904
Current portion of long-term debt	840,000	-	840,000	-	840,000
Third-party settlements	1,138,877	-	1,138,877	-	1,138,877
Current portion of interest rate swap	<u>50,695</u>	<u>-</u>	<u>50,695</u>	<u>-</u>	<u>50,695</u>
Total current liabilities	7,307,225	14,184	7,321,409	-	7,321,409
Due to Hospital	-	856,808	856,808	(856,808)	-
Long-term debt	<u>10,566,365</u>	<u>-</u>	<u>10,566,365</u>	<u>-</u>	<u>10,566,365</u>
Total long-term liabilities	<u>10,566,365</u>	<u>856,808</u>	<u>11,423,173</u>	<u>(856,808)</u>	<u>10,566,365</u>
Total liabilities	17,873,590	870,992	18,744,582	(856,808)	17,887,774
Net assets:					
Without donor restrictions	14,985,141	(1,183,002)	13,802,139	-	13,802,139
With donor restrictions	<u>-</u>	<u>733,967</u>	<u>733,967</u>	<u>-</u>	<u>733,967</u>
Total net assets	<u>14,985,141</u>	<u>(449,035)</u>	<u>14,536,106</u>	<u>-</u>	<u>14,536,106</u>
Total liabilities and equity	<u>\$ 32,858,731</u>	<u>\$ 421,957</u>	<u>\$ 33,280,688</u>	<u>\$ (856,808)</u>	<u>\$ 32,423,880</u>

REHABILITATION HOSPITAL OF INDIANA, INC.  
CONSOLIDATING STATEMENT OF OPERATINGS AND CHANGES IN NET ASSETS  
Year ended December 31, 2020

	<u>RHI</u>	<u>Foundation</u>	<u>Total Before Eliminations</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>Revenues without donor restrictions:</b>					
Patient service revenue	\$ 45,024,225	\$ -	\$ 45,024,225	\$ -	\$ 45,024,225
Other revenue	1,864,541	265,423	2,129,964	-	2,129,964
Grant revenue without donor restrictions	1,465,759	-	1,465,759	-	1,465,759
Donated services	-	378,625	378,625	(378,625)	-
Net assets released from restrictions	-	327,479	327,479	-	327,479
Total unrestricted revenues	<u>48,354,525</u>	<u>971,527</u>	<u>49,326,052</u>	<u>(378,625)</u>	<u>48,947,427</u>
<b>Expenses</b>					
Program expenses	36,176,804	654,778	36,831,582	(378,625)	36,452,957
Management and general expenses	10,623,076	111,502	10,734,578	-	10,734,578
Fundraising expenses	-	92,039	92,039	-	92,039
Total expenses	<u>46,799,880</u>	<u>858,319</u>	<u>47,658,199</u>	<u>(378,625)</u>	<u>47,279,574</u>
<b>Operating income (loss)</b>	1,554,645	113,208	1,667,853	-	1,667,853
Nonoperating gain:					
Interest income	149,376	375	149,751	-	149,751
Gain in swap fair value	50,695	-	50,695	-	50,695
Gain on disposal of assets	(452)	-	(452)	-	(452)
	<u>199,619</u>	<u>375</u>	<u>199,994</u>	<u>-</u>	<u>199,994</u>
<b>Revenue in excess of expenses</b>	1,754,264	113,583	1,867,847	-	1,867,847
Net assets with donor restrictions:					
Contributions	-	260,394	260,394	-	260,394
Net assets released from restrictions	-	(327,479)	(327,479)	-	(327,479)
Change in net assets with donor restrictions	<u>-</u>	<u>(67,085)</u>	<u>(67,085)</u>	<u>-</u>	<u>(67,085)</u>
<b>Change in net assets</b>	1,754,264	46,498	1,800,762	-	1,800,762
Net assets, beginning of year	<u>14,985,141</u>	<u>(449,035)</u>	<u>14,536,106</u>	<u>-</u>	<u>14,536,106</u>
<b>Net assets, end of year</b>	<u>\$ 16,739,405</u>	<u>\$ (402,537)</u>	<u>\$ 16,336,868</u>	<u>\$ -</u>	<u>\$ 16,336,868</u>

REHABILITATION HOSPITAL OF INDIANA, INC.  
CONSOLIDATING STATEMENT OF OPERATINGS AND CHANGES IN NET ASSETS  
Year ended December 31, 2019

	RHI	Foundation	Total Before Eliminations	Eliminations	Consolidated
<b>Revenues without donor restrictions:</b>					
Patient service revenue	\$ 45,012,041	\$ -	\$ 45,012,041	\$ -	\$ 45,012,041
Other revenue	1,844,248	98,714	1,942,962	-	1,942,962
Donated services	-	403,019	403,019	(403,019)	-
Net assets released from restrictions	-	236,358	236,358	-	236,358
Total unrestricted revenues	<u>48,856,289</u>	<u>738,091</u>	<u>47,594,380</u>	<u>(403,019)</u>	<u>47,191,361</u>
<b>Expenses:</b>					
Program expenses	35,779,853	440,329	36,220,182	(403,019)	35,817,163
Management and general expenses	10,373,998	240,956	10,614,954	-	10,614,954
Fundraising expenses	-	59,424	59,424	-	59,424
Total expenses	<u>46,153,851</u>	<u>740,709</u>	<u>46,894,560</u>	<u>(403,019)</u>	<u>46,491,541</u>
<b>Operating income (loss)</b>	702,438	(2,618)	699,820	-	699,820
<b>Nonoperating gain:</b>					
Interest income	383,799	2,142	385,941	-	385,941
Gain in swap fair value	62,897	-	62,897	-	62,897
Gain on disposal of assets	152	-	152	-	152
	<u>446,848</u>	<u>2,142</u>	<u>448,990</u>	<u>-</u>	<u>448,990</u>
<b>Revenue in excess (deficiency) of expenses</b>	1,149,286	(476)	1,148,810	-	1,148,810
Net assets with donor restrictions:					
Contributions	-	296,036	296,036	-	296,036
Net assets released from restrictions	-	(236,358)	(236,358)	-	(236,358)
Change in net assets with donor restrictions	<u>-</u>	<u>59,678</u>	<u>59,678</u>	<u>-</u>	<u>59,678</u>
<b>Change in net assets</b>	1,149,286	59,202	1,208,488	-	1,208,488
Net assets, beginning of year	<u>13,835,855</u>	<u>(508,237)</u>	<u>13,327,618</u>	<u>-</u>	<u>13,327,618</u>
<b>Net assets at end of year</b>	<u>\$ 14,985,141</u>	<u>\$ (449,035)</u>	<u>\$ 14,536,106</u>	<u>\$ -</u>	<u>\$ 14,536,106</u>