

REHABILITATION HOSPITAL OF INDIANA, INC.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

REHABILITATION HOSPITAL OF INDIANA, INC.
Indianapolis, Indiana

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CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED BALANCE SHEETS	3
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS	4
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES - 2022	5
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES - 2021	6
CONSOLIDATED STATEMENTS OF CASH FLOWS	7
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.....	8
SUPPLEMENTARY INFORMATION	
CONSOLIDATING BALANCE SHEETS	21
CONSOLIDATING STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS	25

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements***Opinion***

We have audited the consolidated financial statements of Rehabilitation Hospital of Indiana, Inc. (the "Hospital" or "RHI"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of operations and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of RHI as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2022 and 2021 consolidating balance sheet and consolidating statement of operations and changes in net assets are presented for purposes of additional analysis and are 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 audit 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 28, 2023

REHABILITATION HOSPITAL OF INDIANA, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 681,035	\$ 6,209,684
Patient accounts receivable	4,877,716	4,804,688
Patient customer contracts	-	132,902
Inventories	314,436	385,443
Prepaid expenses and other current assets	1,526,658	1,613,656
Investments	198,238	196,715
Total current assets	7,598,083	13,343,088
ROU Asset	633,703	-
Property and equipment:		
Land	3,263,680	2,877,548
Buildings and improvements	33,703,123	21,018,526
Equipment	19,411,172	17,823,440
Construction-in-progress	170,196	10,025,745
	56,548,171	51,745,259
Less accumulated depreciation	32,775,306	31,377,070
Total property and equipment, net	23,772,865	20,368,189
 Total assets	 \$ 32,004,651	 \$ 33,711,277
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 2,744,012	\$ 2,699,954
Salaries, wages, and related liabilities	2,481,117	2,985,745
Accrued interest	3,010	18,629
Current portion of long-term debt	920,000	905,000
Current portion of lease liabilities	375,852	
Third-party settlements	911,102	1,060,855
Total current liabilities	7,435,093	7,670,183
Long-term debt, net of current portion and unamortized		
Long-term lease liabilities	257,851	-
Long-term debt	7,920,000	8,795,405
Total long-term liabilities	8,177,851	8,795,405
Total liabilities	15,612,944	16,465,588
Net assets:		
Without donor restrictions	15,892,662	16,617,252
With donor restrictions	499,045	628,437
Total net assests	16,391,707	17,245,689
 Total liabilities and net assets	 \$ 32,004,651	 \$ 33,711,277

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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenues without donor restrictions		
Patient service revenue	\$ 43,156,601	\$ 45,451,384
Other revenue	2,501,850	2,576,016
Grant revenue without donor restrictions	-	98,337
Net assets released from restrictions	<u>344,445</u>	<u>432,234</u>
Total revenues	46,002,896	48,557,971
 Expenses		
Program expenses	35,074,839	35,802,882
Management and general expenses	11,539,816	11,662,750
Fundraising expenses	<u>146,375</u>	<u>170,949</u>
Total expenses	<u>46,761,030</u>	<u>47,636,581</u>
 Operating income (loss)	 (758,134)	 921,390
 Nonoperating gain:		
Interest income	27,774	25,878
Gain (loss) on disposal of assets	<u>7,500</u>	<u>-</u>
	<u>35,274</u>	<u>25,878</u>
 Revenue in (deficit) excess of expenses	 (722,860)	 947,268
 Net assets with donor restrictions:		
Contributions	213,323	393,787
Net assets released from restrictions	<u>(344,445)</u>	<u>(432,234)</u>
Change in net assets with donor restrictions	<u>(131,122)</u>	<u>(38,447)</u>
 Change in net assets	 (853,982)	 908,821
 Net assets, beginning of year	 <u>17,245,689</u>	 <u>16,336,868</u>
 Net assets, end of year	 <u>\$ 16,391,707</u>	 <u>\$ 17,245,689</u>

See accompanying notes to consolidated financial statements.

REHABILITATION HOSPITAL OF INDIANA, INC.
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
Year ended December 31, 2022 (with summary totals for the year ended December 31, 2021)

	<u>Program Service Expenses</u>	<u>Management and General Expenses</u>	<u>Fundraising Expenses</u>	<u>2022 Total</u>	<u>2021 Total</u>
Salaries and wages	\$ 20,664,745	\$ 3,460,865	\$ 116,517	\$ 24,242,126	\$ 25,137,071
Employee benefits	6,167,719	2,007,728	29,349	8,204,795	8,435,605
Contract and purchased services	3,931,811	2,458,640	-	6,390,451	6,041,940
Supplies	3,599,410	299,925	509	3,899,844	4,174,069
Utilities and other	42,197	748,136	-	790,333	624,455
Depreciation and amortization	3,431	1,425,141	-	1,428,572	1,741,630
Interest	614	238,993	-	239,607	252,191
General & administrative	664,913	900,389	-	1,565,302	1,229,620
	<u>\$ 35,074,839</u>	<u>\$ 11,539,816</u>	<u>\$ 146,375</u>	<u>\$ 46,761,030</u>	<u>\$ 47,636,581</u>

See accompanying notes to consolidated financial statements.

REHABILITATION HOSPITAL OF INDIANA, INC.
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
Year ended December 31, 2021

	<u>Program Service Expenses</u>	<u>Management and General Expenses</u>	<u>Fundraising Expenses</u>	<u>2021 Total</u>
Salaries and wages	\$ 21,288,926	\$ 3,719,834	\$ 128,311	\$ 25,137,071
Employee benefits	6,507,069	1,909,862	18,674	8,435,605
Contract and purchased services	3,346,904	2,693,852	1,184	6,041,940
Supplies	3,941,866	221,857	10,346	4,174,069
Utilities and other	37,913	586,542	-	624,455
Depreciation and amortization	3,847	1,737,783	-	1,741,630
Interest	261	251,930	-	252,191
General & administrative	676,096	541,090	12,434	1,229,620
	<u>\$ 35,802,882</u>	<u>\$ 11,662,750</u>	<u>\$ 170,949</u>	<u>\$ 47,636,581</u>

See accompanying notes to consolidated financial statements.

REHABILITATION HOSPITAL OF INDIANA, INC.
CONSOLIDATED STATEMENTS OF CASH FLOW
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ (853,982)	\$ 908,821
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	1,428,572	1,741,630
Unrealized gain on investments	(1,523)	(477)
Gain on disposal of assets	(7,500)	-
Changes in operating assets and liabilities:		
Patient accounts receivable	59,874	765,958
Inventories, prepaid expenses, and other assets	192,004	(157,060)
Accounts payable and other accrued liabilities	44,058	(1,093,778)
Salaries, wages, and related liabilities	(504,628)	530,686
Accrued interest	(15,619)	(1,702)
Estimated third-party settlements	(149,753)	(184,190)
Net cash from operating activities	<u>191,503</u>	<u>2,509,888</u>
 Cash flows from investing activities		
Purchase of property and equipment	(4,815,152)	(7,041,672)
Purchase of investments	-	(100,000)
Net cash from investing activities	<u>(4,815,152)</u>	<u>(7,141,672)</u>
 Cash flows from financing activities		
Proceeds from long-term borrowings	8,840,000	-
Repayments on long-term borrowings	(9,745,000)	(890,000)
Net cash from financing activities	<u>(905,000)</u>	<u>(890,000)</u>
 Net change in cash and cash equivalents	(5,528,649)	(5,521,784)
 Cash and cash equivalents:		
Beginning of year	<u>6,209,684</u>	<u>11,731,468</u>
 End of year	<u>\$ 681,035</u>	<u>\$ 6,209,684</u>
 Supplemental disclosures of cash flow information:		
Cash paid during year for interest	\$ 255,226	\$ 253,894
Construction-in-process in accounts payable	\$ 140,895	\$ 678,971

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.

(Continued)

REHABILITATION HOSPITAL OF INDIANA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. The Hospital's maximum risk was approximately \$430,000 and \$5,960,000 at December 31, 2022 and 2021, respectively.

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 2022 and 2021. The Hospital recorded reserves of \$911,102 and \$1,060,855 as of December 31, 2022 and 2021, 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, 2022 and 2021, approximately 42% and 39%, respectively, of the Hospital's net revenues related to patients participating in the Medicare program, 12% and 11%, respectively, from the Medicaid program, 19% and 20%, respectively, from a specific managed care payor, and 27% and 30%, 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, 2022 and 2021, the Hospital has 46% and 19%, respectively, of net accounts receivable due from Medicare, and 15% and 31%, 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 market, 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.

(Continued)

REHABILITATION HOSPITAL OF INDIANA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

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, 2022 and 2021 was \$1,417,976 and \$1,730,066, 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, 2022. As of December 31, 2022, \$170,196 of capital expenditures had been incurred related to this project 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 \$129,000 were incurred during 2016 related to the amended Series 2011 term bonds. Accumulated amortization of deferred financing costs at December 31, 2022 and 2021 is \$81,579 and \$70,983, respectively. Amortization expense for the years ending December 31, 2022 and 2021 is \$10,596 and \$11,564, respectively. As discussed in Note 3, the bonds were repaid during 2022 and replaced with a borrowing arrangement through IU Health.

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, 2022, the Hospital is not aware of any specific material claims that would not be covered by its insurance carriers. The Hospital has estimated an incurred but not reported liability for \$71,960 and \$66,511 at December 31, 2022 and 2021, respectively, which is included in accounts payable and other accrued liabilities on the consolidated balance sheets.

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).

(Continued)

REHABILITATION HOSPITAL OF INDIANA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Investments: Investments are carried at fair value. Realized and unrealized gains and losses are reflected in the statement of activities. For the years ended December 31, 2022 and 2021, unrealized gain on investments of \$1,523 and \$477, respectively, were recorded in other revenue. Investments are exposed to a variety of uncertainties, including interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is possible that changes in the values of these investments could occur in the near term.

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 2017 and for all state income taxes through 2018. 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, 2022 and 2021.

Advertising Costs: The Hospital expenses advertising costs as incurred. Advertising costs for the years ended December 31, 2022 and 2021 were \$96,741 and \$239,827, respectively.

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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition: The Hospital recognizes revenue in accordance with ASU 2014-09 – *Revenue from Contracts with Customers (Topic 606)* (“ASU 2014-09”). The core principle of the guidance in ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchanged for those goods or services. Under ASU 2014-09, the estimated uncollectable amounts due from uninsured or underinsured patients are generally considered implicit price concessions that are a direct reduction to net operating revenues, with a corresponding material reduction in the amounts presented separately as provision for doubtful accounts. For the year ending December 31, 2022 and 2021 approximately \$(89,000) and \$171,000, respectively, was recorded of implicit price concessions as a direct reduction of net operating revenues that would have been recorded as provision for doubtful accounts prior to the adoption of ASC 606. For the year ending December 31, 2022 and 2021, \$1,961,302 and \$1,713,810 was recorded as direct reduction of accounts receivable that would have been reflected as allowance for doubtful accounts prior to the adoption of ASU 2014-09. See Note 2 for additional information.

Adoption of New Accounting Standard: In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) No. 2016-02, Leases (Topic 842). This ASU and all subsequently issued clarifying ASUs require lessees to, among other things, recognize lease assets and lease liabilities on the balance sheet for all leases (unless an accounting policy election is made by class of underlying asset to exclude short-term leases) and also disclose key information about leasing arrangements. The Hospital adopted the new standard effective January 1, 2022 using a permitted method of applying the guidance retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment, with no adjustment to comparative periods. The Hospital elected a package of practical expedients upon adoption that permits the Hospital to: (1) not reassess whether expired or existing contracts are or contain leases, (2) not reassess lease classification for existing or expired leases and (3) not consider whether previously capitalized initial direct costs, if any, would be appropriate under the new standard. In addition, the Hospital elected the practical expedient upon adoption to use hindsight to determine the lease term.

The Hospital further made accounting policy elections to not recognize lease assets and lease liabilities for leases with a term of twelve months or less (short-term leases) and to not separate lease components from non-lease components for all classes of underlying assets. The rate implicit in the lease is not readily available in any of the Hospital’s leases, therefore the Hospital has also made the accounting policy election available to private entities to use a risk-free rate to discount the lease liability for all classes of underlying assets.

The adoption of the new standard resulted in the recording of right-of-use (“ROU”) assets and lease liabilities of approximately \$1,004,000 and \$1,004,000, respectively, as of January 1, 2022. The adoption of the new standard did not have a significant impact on the Hospital’s consolidated statement of changes in equity or consolidated statement of cash flows. See Note 7 for further discussion of Hospital leases.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to December 31, 2022 to determine the need for any adjustments to and/or disclosures within the financial statements for the year then ended. Management has performed their analysis through April 28, 2023, the date the financial statements were issued.

(Continued)

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.

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.

(Continued)

NOTE 2 - PATIENT SERVICE REVENUE (Continued)

- 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, 2022 and 2021.

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, 2022 and 2021, no significant adjustments to revenue were recognized due to changes in the estimates of implicit price concessions for performance obligations satisfied in prior years. 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, 2022 and 2021 was not significant.

(Continued)

REHABILITATION HOSPITAL OF INDIANA, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 December 31, 2022 and 2021

NOTE 2 - PATIENT SERVICE REVENUE (Continued)

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 \$168,526 and \$150,660 for the years ending December 31, 2022 and 2021, 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 2022 and 2021, 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>2022</u>	<u>2021</u>
Medicare	\$ 18,122,815	\$ 18,012,029
Medicaid	5,363,459	4,971,016
Other	<u>19,670,327</u>	<u>22,468,339</u>
Total	<u>\$ 43,156,601</u>	<u>\$ 45,451,384</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.

(Continued)

REHABILITATION HOSPITAL OF INDIANA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 3 - LONG-TERM DEBT

Long-term debt at December 31, 2022 and 2021, consists of the following:

	<u>2022</u>	<u>2021</u>
Indiana Health Facility 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, 2022. Paid in full during December 2022.	\$ -	\$ 9,745,000
Indiana University Health related party note payable, payable through November 2031. Interest payable monthly at fixed rate of 2.22% at December 31, 2022.	8,840,000	-
Less unamortized bond issuance costs	-	(44,595)
Less current portion of long-term debt	<u>(920,000)</u>	<u>(905,000)</u>
Long-term debt, net of unamortized bond issuance costs	<u>\$ 7,920,000</u>	<u>\$ 8,795,405</u>

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, 2021.

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.

Effective December 16, 2022, the Joint Venture agreement for the Hospital was amended to include a note payable through the IU Health Treasury Management Program for the principal balance of \$8,840,000. The note is payable through November 2031 with interest payable monthly at a fixed rate of 2.22% per annum. Proceeds from this note payable were used to repay the Series 2011 Bonds in full. As the bonds were repaid, there were no covenants in effect for the year ended December 31, 2022.

(Continued)

REHABILITATION HOSPITAL OF INDIANA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 3 - LONG-TERM DEBT (Continued)

At December 31, 2022, maturities of long-term debt are as follows:

<u>Year Ending</u>	
2023	\$ 920,000
2024	940,000
2025	950,000
2026	965,000
2027	985,000
Thereafter	<u>4,080,000</u>
Total	<u>\$ 8,840,000</u>

NOTE 4 - 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 \$692,672 and \$702,865 were expensed in 2022 and 2021, respectively.

NOTE 5 - 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 \$1,748,234 and \$1,381,806 in 2022 and 2021, respectively. Included in the 2022 and 2021 accounts payable and other accrued liabilities on the consolidated balance sheets are fees of \$956,806 and \$1,306,122, respectively. As of the year ended December 31, 2022, the Hospital holds long-term debt with IU Health, as disclosed in Note 3.

NOTE 6 - 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.

(Continued)

REHABILITATION HOSPITAL OF INDIANA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 6 - EMPLOYEE HEALTH BENEFIT PLAN (Continued)

The Hospital recorded a provision for claims incurred but not reported, which amounted to \$429,529 and \$886,473 at December 31, 2022 and 2021, respectively, and is included in salaries, wages, and related liabilities on the consolidated balance sheets. Expenses of the plan for 2022 and 2021 were \$3,105,306 and \$3,146,625, respectively. The plan includes one claimant who exceeded the stop-loss in 2021 and no claimants that exceeded the stop-loss in 2022. The Hospital recorded a re-insurance receivable related to the claim, included within prepaid expenses and other current assets on the consolidated balance sheets, of \$7,375 and \$100,717 as of December 31, 2022 and 2021, respectively.

NOTE 7 - LEASES

The Hospital leases facilities and equipment under operating leases expiring at various dates through August 2027. Total rental expense in 2022 and 2021 for all operating leases was \$585,134 and \$666,457, respectively. Rent expense for the year ended December 31, 2022 was comprised of \$377,552 of operating lease costs and \$207,582 of short-term lease costs.

Certain of these leases include one or more options to extend the lease. The Hospital regularly evaluates these renewal options and includes the renewal period in the lease term and measurement of the lease liability when such options are reasonably certain of being exercised. Certain of these leases also include annual increases to lease payments, which are recognized as variable lease cost in the period in which the obligation for those variable payments is incurred. The Hospital does not guarantee any residual value in its lease agreements and there are no material restrictions or covenants imposed by lease arrangements.

For operating leases, the Hospital recognizes a lease liability at the present value of the future lease payments over the lease term, discounted using the risk-free rate at lease commencement, and a corresponding a right-of-use asset ("ROU asset") at the amount of the lease liability plus or minus any prepaid or accrued lease payments. Operating lease cost is calculated so that the remaining cost of the lease is allocated over the remaining lease term on a straight-line basis.

The Hospital also has short-term lease arrangements, primarily related to hospital equipment and bed rentals. The Hospital does not recognize lease assets and lease liabilities for short-term leases but rather recognizes short-term lease cost related to this arrangement as such obligations are incurred.

The weighted average remaining useful term is 1.83 years and the weighted average discount rate is 0.93%.

The following is a summary of the maturities of lease liabilities as of December 31, 2022:

2023	\$ 380,189
2024	244,125
2025	8,100
2026	8,100
2027	<u>6,075</u>
Total lease payments	646,589
Less: imputed interest	<u>(12,886)</u>
Total lease obligations	633,703
Less: current portion of lease liabilities	<u>(375,852)</u>
Lease liabilities, net of current portion	<u>\$ 257,851</u>

(Continued)

REHABILITATION HOSPITAL OF INDIANA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 8 - 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.

NOTE 9 - 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 10 - 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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 681,035	\$ 6,209,684
Accounts receivable	4,877,716	4,937,590
Investments	198,238	196,715
Less: Net assets with donor restrictions	<u>(499,045)</u>	<u>(628,437)</u>
	<u>\$ 5,257,944</u>	<u>\$ 10,715,552</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 \$7,940,000 - \$11,910,000. 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.

(Continued)

REHABILITATION HOSPITAL OF INDIANA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purposes:		
Sports and Opportunity	\$ 227,932	\$ 357,325
Research	256,488	256,488
Assistance	<u>14,625</u>	<u>14,624</u>
	<u>\$ 499,045</u>	<u>\$ 628,437</u>

Net assets released from donor restrictions are as follows:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purposes:		
Sports and Opportunity	\$ 240,900	\$ 332,938
Research	<u>103,545</u>	<u>99,296</u>
	<u>\$ 344,445</u>	<u>\$ 432,234</u>

NOTE 12 - RISKS AND UNCERTAINTIES

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 adds \$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 December 31, 2022. The Hospital received payments of \$98,337 from the Provider Relief Fund during the year ended December 31, 2021. No PRF payments were received during the year ended December 31, 2022.

The Hospital elected to account for the PRF proceeds received as 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 Hospital’s assessment of whether the terms and conditions for the 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 Hospital’s assessment, RHI recognized \$98,337 of revenue recorded within grant revenue without donor restrictions for the years ended December 31, 2021.

SUPPLEMENTARY INFORMATION

REHABILITATION HOSPITAL OF INDIANA, INC.
CONSOLIDATING BALANCE SHEET
December 31, 2022

	<u>RHI</u>	<u>Foundation</u>	<u>Total Before Eliminations</u>	<u>Eliminations</u>	<u>Consolidated</u>
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 239,872	\$ 441,163	\$ 681,035	\$ -	\$ 681,035
Patient accounts receivable	4,877,716	-	4,877,716	-	4,877,716
Patient customer contracts	-	-	-	-	-
Inventories	314,436	-	314,436	-	314,436
Prepaid expenses and other current assets	1,508,100	18,558	1,526,658	-	1,526,658
Investments	-	198,238	198,238	-	198,238
Total current assets	<u>6,940,124</u>	<u>657,959</u>	<u>7,598,083</u>	<u>-</u>	<u>7,598,083</u>
Property and equipment:					
Land	3,263,680	-	3,263,680	-	3,263,680
Buildings and improvements	33,703,123	-	33,703,123	-	33,703,123
Equipment	19,314,060	97,112	19,411,172	-	19,411,172
Construction-in-progress	170,196	-	170,196	-	170,196
	<u>56,451,059</u>	<u>97,112</u>	<u>56,548,171</u>	<u>-</u>	<u>56,548,171</u>
Less accumulated depreciation	<u>32,682,361</u>	<u>92,945</u>	<u>32,775,306</u>	<u>-</u>	<u>32,775,306</u>
Total property and equipment, net	<u>23,768,698</u>	<u>4,167</u>	<u>23,772,865</u>	<u>-</u>	<u>23,772,865</u>
Other assets					
ROU Asset	633,703	-	633,703	-	633,703
Due from foundation	966,241	-	966,241	(966,241)	-
Total other assets	<u>1,599,944</u>	<u>-</u>	<u>1,599,944</u>	<u>(966,241)</u>	<u>633,703</u>
Total assets	<u>\$ 32,308,766</u>	<u>\$ 662,126</u>	<u>\$ 32,970,892</u>	<u>\$ (966,241)</u>	<u>\$ 32,004,651</u>

(Continued)

REHABILITATION HOSPITAL OF INDIANA, INC.
CONSOLIDATING BALANCE SHEET
December 31, 2022

	<u>RHI</u>	<u>Foundation</u>	<u>Total Before Eliminations</u>	<u>Eliminations</u>	<u>Consolidated</u>
LIABILITIES AND NET ASSETS					
Current liabilities:					
Accounts payable and other accrued liabilities	\$ 2,738,743	\$ 14,704	\$ 2,753,447	\$ (9,435)	\$ 2,744,012
Salaries, wages, and related liabilities	2,479,362	1,755	2,481,117	-	2,481,117
Accrued interest	3,010	-	3,010	-	3,010
Current portion of long-term debt	920,000	-	920,000	-	920,000
Current portion of lease liabilities	375,852	-	375,852	-	375,852
Third-party settlements	911,102	-	911,102	-	911,102
Total current liabilities	<u>7,428,069</u>	<u>16,459</u>	<u>7,444,528</u>	<u>(9,435)</u>	<u>7,435,093</u>
Due to Hospital	-	956,806	956,806	(956,806)	-
Long-term portion of lease liabilities	257,851	-	257,851	-	257,851
Long-term debt	7,920,000	-	7,920,000	-	7,920,000
Total long-term liabilities	<u>8,177,851</u>	<u>956,806</u>	<u>9,134,657</u>	<u>(956,806)</u>	<u>8,177,851</u>
Total liabilities	15,605,920	973,265	16,579,185	(966,241)	15,612,944
Net assets:					
Without donor restrictions	16,702,846	(810,184)	15,892,662	-	15,892,662
With donor restrictions	-	499,045	499,045	-	499,045
Total net assests	<u>16,702,846</u>	<u>(311,139)</u>	<u>16,391,707</u>	<u>-</u>	<u>16,391,707</u>
Total liabilities and net assets	<u>\$ 32,308,766</u>	<u>\$ 662,126</u>	<u>\$ 32,970,892</u>	<u>\$ (966,241)</u>	<u>\$ 32,004,651</u>

See accompanying independent auditor's report.

REHABILITATION HOSPITAL OF INDIANA, INC.
CONSOLIDATING BALANCE SHEET
December 31, 2021

	<u>RHI</u>	<u>Foundation</u>	<u>Total Before Eliminations</u>	<u>Eliminations</u>	<u>Consolidated</u>
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 5,380,567	\$ 829,117	\$ 6,209,684	\$ -	\$ 6,209,684
Patient accounts receivable	4,804,688	-	4,804,688	-	4,804,688
Patient customer contracts	132,902	-	132,902	-	132,902
Inventories	385,443	-	385,443	-	385,443
Prepaid expenses and other current assets	1,533,206	80,450	1,613,656	-	1,613,656
Investments	281	196,434	196,715	-	196,715
Total current assets	<u>12,237,087</u>	<u>1,106,001</u>	<u>13,343,088</u>	<u>-</u>	<u>13,343,088</u>
Property and equipment:					
Land	2,877,548	-	2,877,548	-	2,877,548
Buildings and improvements	21,018,526	-	21,018,526	-	21,018,526
Equipment	17,726,328	97,112	17,823,440	-	17,823,440
Construction-in-progress	10,025,745	-	10,025,745	-	10,025,745
	<u>51,648,147</u>	<u>97,112</u>	<u>51,745,259</u>	<u>-</u>	<u>51,745,259</u>
Less accumulated depreciation	<u>31,287,555</u>	<u>89,515</u>	<u>31,377,070</u>	<u>-</u>	<u>31,377,070</u>
Total property and equipment, net	<u>20,360,592</u>	<u>7,597</u>	<u>20,368,189</u>	<u>-</u>	<u>20,368,189</u>
Other assets					
Due from foundation	<u>1,306,122</u>	<u>-</u>	<u>1,306,122</u>	<u>(1,306,122)</u>	<u>-</u>
Total other assets	<u>1,306,122</u>	<u>-</u>	<u>1,306,122</u>	<u>(1,306,122)</u>	<u>-</u>
Total assets	<u>\$ 33,903,801</u>	<u>\$ 1,113,598</u>	<u>\$ 35,017,399</u>	<u>\$ (1,306,122)</u>	<u>\$ 33,711,277</u>

(Continued)

REHABILITATION HOSPITAL OF INDIANA, INC.
CONSOLIDATING BALANCE SHEET
December 31, 2021

	<u>RHI</u>	<u>Foundation</u>	<u>Total Before Eliminations</u>	<u>Eliminations</u>	<u>Consolidated</u>
LIABILITIES AND NET ASSETS					
Current liabilities:					
Accounts payable and other accrued liabilities	\$ 2,675,056	\$ 24,898	\$ 2,699,954	\$ -	\$ 2,699,954
Salaries, wages, and related liabilities	2,981,110	4,635	2,985,745	-	2,985,745
Accrued interest	18,629	-	18,629	-	18,629
Current portion of long-term debt	905,000	-	905,000	-	905,000
Third-party settlements	1,060,855	-	1,060,855	-	1,060,855
Total current liabilities	<u>7,640,650</u>	<u>29,533</u>	<u>7,670,183</u>	<u>-</u>	<u>7,670,183</u>
Due to Hospital	-	1,306,122	1,306,122	(1,306,122)	-
Long-term debt	8,795,405	-	8,795,405	-	8,795,405
Total long-term liabilities	<u>8,795,405</u>	<u>1,306,122</u>	<u>10,101,527</u>	<u>(1,306,122)</u>	<u>8,795,405</u>
Total liabilities	16,436,055	1,335,655	17,771,710	(1,306,122)	16,465,588
Net assets:					
Without donor restrictions	17,467,746	(850,494)	16,617,252	-	16,617,252
With donor restrictions	-	628,437	628,437	-	628,437
Total net assets	<u>17,467,746</u>	<u>(222,057)</u>	<u>17,245,689</u>	<u>-</u>	<u>17,245,689</u>
Total liabilities and net assets	<u>\$ 33,903,801</u>	<u>\$ 1,113,598</u>	<u>\$ 35,017,399</u>	<u>\$ (1,306,122)</u>	<u>\$ 33,711,277</u>

See accompanying independent auditor's report.

REHABILITATION HOSPITAL OF INDIANA, INC.
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
Year ended December 31, 2022

	<u>RHI</u>	<u>Foundation</u>	<u>Total Before Eliminations</u>	<u>Eliminations</u>	<u>Consolidated</u>
Revenues without donor restrictions					
Patient service revenue	\$ 43,156,601	\$ -	\$ 43,156,601	\$ -	\$ 43,156,601
Other revenue	2,246,197	255,653	2,501,850	-	2,501,850
Donated services	-	431,364	431,364	(431,364)	-
Net assets released from restrictions	-	344,445	344,445	-	344,445
Total revenues	<u>45,402,798</u>	<u>1,031,462</u>	<u>46,434,260</u>	<u>(431,364)</u>	<u>46,002,896</u>
Expenses					
Program expenses	34,575,493	930,710	35,506,203	(431,364)	35,074,839
Management and general expenses	11,539,816	-	11,539,816	-	11,539,816
Fundraising expenses	85,859	60,516	146,375	-	146,375
Total expenses	<u>46,201,168</u>	<u>991,226</u>	<u>47,192,394</u>	<u>(431,364)</u>	<u>46,761,030</u>
Operating income (loss)	(798,370)	40,236	(758,134)	-	(758,134)
Nonoperating gain:					
Interest income	25,970	1,804	27,774	-	27,774
Gain on disposal of assets	7,500	-	7,500	-	7,500
	<u>33,470</u>	<u>1,804</u>	<u>35,274</u>	<u>-</u>	<u>35,274</u>
Revenue in (deficit) excess of expenses	(764,900)	42,040	(722,860)	-	(722,860)
Net assets with donor restrictions:					
Contributions	-	213,323	213,323	-	213,323
Net assets released from restrictions	-	(344,445)	(344,445)	-	(344,445)
Change in net assets with donor restrictions	<u>-</u>	<u>(131,122)</u>	<u>(131,122)</u>	<u>-</u>	<u>(131,122)</u>
Change in net assets	(764,900)	(89,082)	(853,982)	-	(853,982)
Net assets, beginning of year	17,467,746	(222,057)	17,245,689	-	17,245,689
Net assets, end of year	<u>\$ 16,702,846</u>	<u>\$ (311,139)</u>	<u>\$ 16,391,707</u>	<u>\$ -</u>	<u>\$ 16,391,707</u>

See accompanying independent auditor's report.

REHABILITATION HOSPITAL OF INDIANA, INC.
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
Year ended December 31, 2021

	<u>RHI</u>	<u>Foundation</u>	<u>Total Before Eliminations</u>	<u>Eliminations</u>	<u>Consolidated</u>
Revenues without donor restrictions					
Patient service revenue	\$ 45,451,384	\$ -	\$ 45,451,384	\$ -	\$ 45,451,384
Other revenue	2,161,877	414,139	2,576,016	-	2,576,016
Grant revenue without donor restrictions	98,337	-	98,337	-	98,337
Donated services	-	482,810	482,810	(482,810)	-
Net assets released from restrictions	-	432,234	432,234	-	432,234
Total revenues	<u>47,711,598</u>	<u>1,329,183</u>	<u>49,040,781</u>	<u>(482,810)</u>	<u>48,557,971</u>
Expenses					
Program expenses	35,215,221	1,070,471	36,285,692	(482,810)	35,802,882
Management and general expenses	11,662,750	-	11,662,750	-	11,662,750
Fundraising expenses	129,557	41,392	170,949	-	170,949
Total expenses	<u>47,007,528</u>	<u>1,111,863</u>	<u>48,119,391</u>	<u>(482,810)</u>	<u>47,636,581</u>
Operating income (loss)	704,070	217,320	921,390	-	921,390
Nonoperating gain:					
Interest income	24,271	1,607	25,878	-	25,878
Revenue in excess of expenses	728,341	218,927	947,268	-	947,268
Net assets with donor restrictions:					
Contributions	-	393,787	393,787	-	393,787
Net assets released from restrictions	-	(432,234)	(432,234)	-	(432,234)
Change in net assets with donor restrictions	<u>-</u>	<u>(38,447)</u>	<u>(38,447)</u>	<u>-</u>	<u>(38,447)</u>
Change in net assets	728,341	180,480	908,821	-	908,821
Net assets, beginning of year	<u>16,739,405</u>	<u>(402,537)</u>	<u>16,336,868</u>	<u>-</u>	<u>16,336,868</u>
Net assets, end of year	<u>\$ 17,467,746</u>	<u>\$ (222,057)</u>	<u>\$ 17,245,689</u>	<u>\$ -</u>	<u>\$ 17,245,689</u>

See accompanying independent auditor's report.