JACKSON COUNTY SCHNECK MEMORIAL HOSPITAL AND AFFILIATED ORGANIZATIONS

CONSOLIDATED FINANCIAL STATEMENTS

AND

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2021 AND 2020

CPAs / ADVISORS

JACKSON COUNTY SCHNECK MEMORIAL HOSPITAL AND AFFILIATED ORGANIZATIONS

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REPORT OF INDEPENDENT AUDITORS

Board of Trustees
Jackson County Schneck Memorial Hospital
and Affiliated Organizations
Seymour, Indiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Jackson County Schneck Memorial Hospital (d/b/a Schneck Medical Center) and Affiliated Organizations (collectively the "Medical Center"), component units of Jackson County, which comprise the consolidated balance sheets and statements of fiduciary net position as of December 31, 2021 and 2020, and the related consolidated statements of operations and changes in net position, changes in fiduciary net position, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the respective financial position of the Medical Center as of December 31, 2021 and 2020, and the respective changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the *Uniform Compliance Guidelines for Audits of Hospitals and State and Local Governments by Authorized Independent Public Accountants*, issued by the Indiana State Board of Accounts, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Medical Center 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.

Board of Trustees
Jackson County Schneck Memorial Hospital
and Affiliated Organizations
Seymour, Indiana

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Medical Center's ability to continue as a going concern for twelve months beyond the consolidated statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the consolidated financial statements.

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Medical Center'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Medical Center's ability to continue as a going concern for a reasonable period of time.

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

Board of Trustees
Jackson County Schneck Memorial Hospital
and Affiliated Organizations
Seymour, Indiana

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, and the schedules of pension plan information on pages i-x and 56-57, respectively, be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audits of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2022, on our consideration of the Medical Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Medical Center's internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Medical Center's internal control over financial reporting and compliance.

Blue & Co., LLC

Louisville, Kentucky
April 29, 2022

Management's discussion and analysis of the financial performance of Jackson County Schneck Memorial Hospital (d/b/a Schneck Medical Center) (the "Hospital") and Affiliated Organizations (collectively the "Medical Center") provides an overview of the Medical Center's financial activities and performance for the years ended December 31, 2021 and 2020. This discussion and analysis should be read in conjunction with the accompanying Medical Center's consolidated financial statements.

FINANCIAL HIGHLIGHTS

The Medical Center's net position increased $40,536,671 from 2020 to 2021. During 2021, the Medical Center's total operating revenue increased by 6.3% to $331,380,885 with total operating expenses increasing by 4.3% to $315,380,193.

- The Medical Center did not raise rates during 2021.

- The addition of providers contributed to growth in most physician practice offices, including pulmonary, pediatrics, internal medicine, neurosurgery, and primary care.

- The renovation of the outpatient care center, and addition of an operating room, were completed in the fall of 2021. This provided the Medical Center with additional space for surgical and pain procedures. It also created a centralized area for patients to register for services.

- Government funding related to the public health emergency helped offset expenses that continued to be incurred due to the Coronavirus ("COVID-19") global pandemic (the "Pandemic"). This includes the cost of supplies, drugs, and labor.

The Medical Center's net position increased $37,626,578 from 2019 to 2020. During 2020, the Medical Center's total operating revenue increased by 2.7% to $311,636,457 with total operating expenses increasing by 6.3% to $302,473,485.

- The Medical Center raised rates by 2.0% in 2020.

- During the period from 2012 to 2014, the Medical Center assumed ownership of the bed licenses of fifteen long term care facilities. The Medical Center entered into management agreements with the previous owners and/or management entities to manage the day-to-day operations of the facilities. The Medical Center also leases the buildings and premises from the prior owners. The first full year of operations was 2015 with all fifteen facilities included in the Medical Center's financial results. Upper payment limit amounts recognized in patient service revenue resulting from these long-term care facilities was $24,435,847 in 2020 and $22,515,059 in 2019.

- In an effort to increase Medicaid reimbursement to hospitals, the State of Indiana implemented a Hospital Assessment Fee program in 2012. Indiana hospitals are assessed a fee which allows the state to access Federal funds allowing it to pay Medicaid patient claims at higher rates, not to exceed

Medicare reimbursement. The Medical Center incurred Hospital Assessment Fees expense of $6,870,148 in 2020 and $8,040,460 in 2019.

- In response to the Pandemic, United States Congress passed the CARES Act legislation, which included assistance for healthcare facilities. As part of the legislation, the Medical Center received $25,034,394 from Provider Relief Fund program. During 2020, the Medical Center was able to recognize $16,599,748 under the terms of the program. The remaining balance was deferred as of December 31, 2020. The Medical Center had until June 30, 2021 to recognize the remaining funds received under the terms of the program, if possible.

FINANCIAL STATEMENTS

The consolidated financial statements of the Medical Center present information about the Medical Center using financial reporting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information. The consolidated balance sheets include all of the Medical Center's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to the Medical Center's creditors (liabilities). It also provides the basis for compiling rate of return, evaluating the capital structure of the Medical Center, and assessing the liquidity and financial flexibility of the Medical Center. All of the current and prior year's revenues and expenses are accounted for in the consolidated statements of operations and changes in net position. This statement measures the financial results of the Medical Center's operations and presents revenues earned and expenses incurred. The consolidated statements of cash flows provide information about the Medical Center's cash flows from operating activities, capital and related financing activities, and investing activities, plus provide information on the sources and uses of cash during both the current and prior year.

FINANCIAL ANALYSIS

The consolidated balance sheets and the consolidated statements of operations and changes in net position report information about the Medical Center's activities. These two statements report the net position of the Medical Center and its changes. Increases or decreases in the Medical Center's net position are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in economic conditions, population changes (including uninsured and medically indigent individuals and families), and new or changed governmental legislation should also be considered.

CONDENSED FINANCIAL INFORMATION

A summary of the Medical Center's consolidated balance sheets as of December 31, 2021 and 2020 is presented below:

	2021	2020	$ Change	% Change
Assets				
Current assets	$ 178,700,580	$ 164,146,918	$ 14,553,662	8.9%
Capital assets, net	126,689,934	123,865,668	2,824,266	2.3%
Other assets	234,552,304	194,071,774	40,480,530	20.9%
Total assets	539,942,818	482,084,360	57,858,458	12.0%
Deferred outflows	8,128,247	9,182,709	(1,054,462)	-11.5%
Total assets and deferred outflows	$ 548,071,065	$ 491,267,069	$ 56,803,996	11.6%
Liabilities				
Current liabilities	$ 54,648,011	$ 44,380,636	$ 10,267,375	23.1%
Long-term liabilities	32,258,527	34,611,942	(2,353,415)	-6.8%
Total liabilities	86,906,538	78,992,578	7,913,960	10.0%
Pension deferred inflows	9,444,841	1,091,476	8,353,365	765.3%
Total liabilities and deferred inflows	96,351,379	80,084,054	16,267,325	20.3%
Net position				
Net investment in capital assets	106,172,737	102,677,120	3,495,617	3.4%
Restricted expendable net position	5,875,535	6,082,792	(207,257)	-3.4%
Restricted nonexpendable net position	390,053	360,009	30,044	8.3%
Unrestricted	339,281,361	302,063,094	37,218,267	12.3%
Total net position	451,719,686	411,183,015	40,536,671	9.9%
Total liabilities and net position	$ 548,071,065	$ 491,267,069	$ 56,803,996	11.6%

A summary of the Medical Center's consolidated balance sheets as of December 31, 2020 and 2019 is presented below:

	2020	2019	$ Change	% Change
Assets				
Current assets	$ 164,146,918	$ 133,097,353	$ 31,049,565	23.3%
Capital assets, net	123,865,668	128,007,070	(4,141,402)	-3.2%
Other assets	194,071,774	178,892,029	15,179,745	8.5%
Total assets	482,084,360	439,996,452	42,087,908	9.6%
Deferred outflows	9,182,709	3,828,501	5,354,208	139.9%
Total assets and deferred outflows	$ 491,267,069	$ 443,824,953	$ 47,442,116	10.7%
Liabilities				
Current liabilities	$ 44,380,636	$ 37,570,161	$ 6,810,475	18.1%
Long-term liabilities	34,611,942	30,769,026	3,842,916	12.5%
Total liabilities	78,992,578	68,339,187	10,653,391	15.6%
Pension deferred inflows	1,091,476	1,929,329	(837,853)	-43.4%
Total liabilities and deferred inflows	80,084,054	70,268,516	9,815,538	14.0%
Net position				
Net investment in capital assets	102,677,120	104,962,171	(2,285,051)	-2.2%
Restricted expendable net position	6,082,792	5,367,529	715,263	13.3%
Restricted nonexpendable net position	360,009	344,540	15,469	4.5%
Unrestricted	302,063,094	262,882,197	39,180,897	14.9%
Total net position	411,183,015	373,556,437	37,626,578	10.1%
Total liabilities and net position	$ 491,267,069	$ 443,824,953	$ 47,442,116	10.7%

CONDENSED FINANCIAL INFORMATION

A summary of the Medical Center's consolidated statements of operations and changes in net position for the years ended December 31, 2021 and 2020 is presented below:

	2021	2020	$ Change	% Change
Operating revenues				
Net patient service revenue	$ 326,226,758	$ 305,233,280	$ 20,993,478	6.9%
Other revenue	5,154,127	6,403,177	(1,249,050)	-19.5%
Total operating revenues	331,380,885	311,636,457	19,744,428	6.3%
Operating expenses				
Salaries and benefits	173,743,670	170,085,935	3,657,735	2.2%
Supplies and drugs	44,580,495	43,109,513	1,470,982	3.4%
Depreciation and amortization	11,854,773	11,759,692	95,081	0.8%
Other operating expenses	85,201,255	77,518,345	7,682,910	9.9%
Total operating expenses	315,380,193	302,473,485	12,906,708	4.3%
Income from operations	16,000,692	9,162,972	6,837,720	74.6%
Nonoperating revenues	24,535,979	28,463,606	(3,927,627)	13.8%
Change in net position	$ 40,536,671	$ 37,626,578	$ 2,910,093	7.7%
Net position, end of year	$ 451,719,686	$ 411,183,015	$ 40,536,671	9.9%

A summary of the Medical Center's consolidated statements of operations and changes in net position for the years ended December 31, 2020 and 2019 is presented below:

	2020	2019	$ Change	% Change
Operating revenues				
Net patient service revenue	$ 305,233,280	$ 301,031,394	$ 4,201,886	1.4%
Other revenue	6,403,177	2,440,559	3,962,618	162.4%
Total operating revenues	311,636,457	303,471,953	8,164,504	2.7%
Operating expenses				
Salaries and benefits	170,085,935	161,337,872	8,748,063	5.4%
Supplies and drugs	43,109,513	38,684,035	4,425,478	11.4%
Depreciation and amortization	11,759,692	10,387,478	1,372,214	13.2%
Other operating expenses	77,518,345	74,162,632	3,355,713	4.5%
Total operating expenses	302,473,485	284,572,017	17,901,468	6.3%
Income from operations	9,162,972	18,899,936	(9,736,964)	-51.5%
Nonoperating revenues	28,463,606	16,412,100	12,051,506	-73.4%
Change in net position	$ 37,626,578	$ 35,312,036	$ 2,314,542	6.6%
Net position, end of year	$ 411,183,015	$ 373,556,437	$ 37,626,578	10.1%

SOURCES OF REVENUE

The Medical Center derives the majority of its revenue from charges for patient care and related services. The Medical Center is reimbursed for services from a variety of sources including the Medicare and Medicaid programs, insurance carriers, managed care plans, and patients. The Medical Center has established payment arrangements with Medicare, Medicaid, and various commercial insurance carriers. Services provided under those arrangements are paid at predetermined rates and/or reimbursable cost as defined. Provisions have been made in the consolidated financial statements for contractual adjustments representing the difference between the standard charges for services and the actual or estimated payment.

The Medical Center's percentages of gross revenue by payor for 2021, 2020, and 2019 are as follows:

Payor Mix	2021	2020	2019
Medicare	39 %	40 %	40 %
Medicaid	26	25	24
Blue Cross	18	18	17
SIHO*	4	4	4
Other third-party payors	9	9	8
Self-pay	4	4	7
Total	100 %	100 %	100 %

*Southeastern Indiana Health Organization

OPERATING AND FINANCIAL PERFORMANCE

The Medical Center's financial performance from operations was positive in 2021. The same is true for the Medical Center's overall financial performance. A discussion of the highlights of 2021 operations and changes in activity is presented below:

Revenues

The Medical Center's net patient service revenues increased by $20,993,478 in 2021. Highlights of this change are as follows:

- The Medical Center did not raise rates during 2021.
- Patient volume increases were noted for patient days, emergency room visits, surgeries, respiratory therapy, and laboratory. Most service lines that were negatively impacted by the Public Health Emergency declared in 2020 saw volume increases in 2021.
- Inpatient admissions at the Medical Center decreased in 2021, but average length of stay increased.

- The addition of providers contributed to growth in most physician practice office, including pulmonary, pediatrics, internal medicine, neurosurgery, and primary care.

Expenses

Total operating expenses increased by $12,906,708 in 2021. Highlights of this change are as follows:

- Salaries and benefits costs increased $3,657,735 due to labor needs during the continued public health emergency, and an increased need for the use of agency staffing due to clinical labor shortages.

- Supplies and drug costs increased $1,470,982 due to periods of high COVID-19 census throughout the year.

The Medical Center's financial performance from operations was positive in 2020. The same is true for the Medical Center's overall financial performance. A discussion of the highlights of 2020 operations and changes in activity is presented below:

Revenues

The Medical Center's net patient service revenues increased by $4,201,886 in 2020. Highlights of this change are as follows:

- The Medical Center raised rates by 2.0% in 2020.

- Upper Payment Limit (UPL) revenue relating to ownership of fifteen nursing home licenses increased approximately $1,900,000 from 2019 to 2020. UPL revenue is reliant on each home's Medicaid days and per day rate.

- Patient volume increases were noted for patient days, births, and respiratory therapy. Due to the Public Health Emergency related to the Pandemic, all other service lines experienced volume decreases.

Expenses

Total operating expenses increased by $17,901,468 in 2020. Highlights of this change are as follows:

- Salary and benefits costs increased $8,748,063 due to labor needs during the public health emergency, and addition of beds at some facilities.

- Supplies and drug costs increased $4,425,478 due to increased costs of drugs for oncology patients, and expenses required for infection control and prevention during the public health emergency.

FINANCIAL ANALYSIS – CASH FLOWS

The Medical Center's 2021 cash flows increased $5,380,734 due to increased outpatient volumes as a result of no interruptions of service lines, as COVID-19 vaccination rates increased during the year.

The Medical Center's 2020 cash flows increased $27,705,781 due to an advanced payment of Medicare funds, as well as funding received through the Provider Relief Funding Program, both of which were received due to the Coronavirus Aid, Relief, and Economic Security (CARES) Act passed by United States Congress, as well as expense reductions due to volume decreases.

FIDUCIARY FUNDS

Fiduciary funds are used to account for resources held for the benefit of individuals or units outside of the Medical Center. The Medical Center is the trustee or fiduciary responsible for assets, which can be used only for the trust beneficiaries per trust arrangements. The Medical Center is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Medical Center's fiduciary activities are reported in separate consolidated statements of fiduciary net position and consolidated statements of changes in fiduciary net position. The accounting for fiduciary funds is much like that used for proprietary funds. The Medical Center's Employees' Pension Plan and 457(f) Executive Deferred Compensation Plan are reported under the fiduciary funds. Since the resources of these funds are not available to support the Medical Center's own programs, they are not reflected in the government-wide financial statements. The consolidated statements of fiduciary net position and the consolidated statements of changes in fiduciary net position can be found on pages 9 and 10, respectively, of this report.

Capital Assets

	2021	2020	$Change	%Change
Land and land improvements	$ 15,936,098	$ 15,857,808	$ 78,290	0.5%
Buildings	159,243,331	150,934,716	8,308,615	5.5%
Equipment	74,729,975	67,834,985	6,894,990	10.2%
Construction in progress	884,119	3,635,898	(2,751,779)	-75.7%
	250,793,523	238,263,407	12,530,116	5.3%
Less accumulated depreciation	124,103,589	114,397,739	9,705,850	8.5%
Capital assets, net	$ 126,689,934	$ 123,865,668	$ 2,824,266	2.3%

Net capital assets increased in 2021 due to renovation of the outpatient care center, the addition of an operating room, as well as the purchases of a new Da Vinici surgical robot and a new MRI machine.

	2020	2019	$Change	%Change
Land and land improvements	$ 15,857,808	$ 15,664,102	$ 193,706	1.2%
Buildings	150,934,716	147,394,278	3,540,438	2.4%
Equipment	67,834,985	64,983,276	2,851,709	4.4%
Construction in progress	3,635,898	4,126,307	(490,409)	-11.9%
	238,263,407	232,167,963	6,095,444	2.6%
Less accumulated depreciation	114,397,739	104,160,893	10,236,846	9.8%
Capital assets, net	$ 123,865,668	$ 128,007,070	$ (4,141,402)	-3.2%

Net capital assets decreased in 2020 due to increased depreciation expense due to large building projects that were completed in the latter half of 2019. These include a new medical office building, parking garage, expanded and remodeled ICU unit and addition of a surgical suite.

See additional information on capital assets in the notes to the consolidated financial statements in footnote number 5.

<u>Long-Term Debt</u>

At December 31, 2021, the Medical Center had long-term debt (including current portion) of $20,517,197, which is comprised of revenue bonds outstanding.

At December 31, 2020, the Medical Center had long-term debt (including current portion) of $21,188,548, which is comprised of revenue bonds outstanding.

ECONOMIC FACTORS AND 2022 BUDGET

The Medical Center's Board and management considered many factors when establishing the 2022 budget. Included was the status of the economy, which takes into consideration market factors and other environmental factors such as the following items:

- The effect of the Coronavirus pandemic on the healthcare industry
- Advances in medical equipment and information systems technology and the need to replace obsolete equipment
- Decreasing reimbursement from governmental and commercial insurance payors
- Increasing costs of supplies and services
- Nationwide workforce shortages in nursing and other healthcare specialist positions
- Expectation to maintain high quality of care
- Patient sensitivity to amount charged for services provided

- Community need of greater access to healthcare
- Increased competition from niche providers
- Size, composition, and needs of the Medical Center's physician medical staff

CONTACTING THE MEDICAL CENTER

This report is designed to provide our citizens, customers and creditors with a general overview of the Medical Center's finances. These consolidated financial statements include the activities of the Hospital, Jackson County Schneck Memorial Hospital Foundation (the "Foundation"), Jackson Medical Building, LLC, and Health Development Corporation and Affiliated Organization ("HDC"). Separately-issued audited financial statements are available for both HDC and the Foundation. If you have questions about this report or need additional information, contact Deborah Mann, Vice President of Finance at 812-522-0171.

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JACKSON COUNTY SCHNECK MEMORIAL HOSPITAL
AND AFFILIATED ORGANIZATIONS

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020

ASSETS

	2021	2020
Current assets		
Cash and cash equivalents	$ 103,917,508	$ 102,598,337
Investments	8,982,141	8,751,801
Patient accounts receivable, net of estimated uncollectibles of $28,034,330 in 2021 and $23,441,858 in 2020	49,527,675	27,004,116
Inventories	5,958,975	6,185,485
Prepaid expenses and other current assets	6,691,896	8,495,222
Estimated third-party payor settlements	1,030,373	-0-
Other assets, current portion	862,638	670,139
Current portion of assets whose use is limited	1,729,374	10,441,818
Total current assets	178,700,580	164,146,918
Assets whose use is limited, net of amount required to meet current obligations	217,377,090	182,504,030
Capital assets, net	126,689,934	123,865,668
Net pension asset	11,069,787	1,332,836
Other assets, net of current portion	6,105,427	10,234,908
Total assets	539,942,818	482,084,360
Deferred outflows	8,128,247	9,182,709
Total assets and deferred outflows	$ 548,071,065	$ 491,267,069

See accompanying notes to consolidated financial statements.

JACKSON COUNTY SCHNECK MEMORIAL HOSPITAL AND AFFILIATED ORGANIZATIONS

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020

LIABILITIES AND NET POSITION

	2021	2020
Current liabilities		
Accounts payable	$ 32,478,861	$ 9,994,118
Accrued personnel costs	15,714,567	14,675,606
Accrued expenses	56,593	132,655
Estimated third-party payor settlements	-0-	647,720
Refundable advances, current portion	4,695,793	16,959,186
Current portion of long-term debt	1,702,197	1,971,351
Total current liabilities	54,648,011	44,380,636
Long-term liabilities		
Long-term debt, net of current portion	18,815,000	19,217,197
Deferred compensation liabilities	13,443,527	11,619,939
Refundable advances, net of current portion	-0-	3,774,806
Total long-term liabilities	32,258,527	34,611,942
Pension deferred inflows	9,444,841	1,091,476
Total liabilities and deferred inflows	96,351,379	80,084,054
Net position		
Net investment in capital assets	106,172,737	102,677,120
Restricted		
Expendable for debt service	2,824,954	3,074,547
Expendable for donor-restricted purposes	3,050,581	3,008,245
Nonexpendable perpetual trust	390,053	360,009
Unrestricted	339,281,361	302,063,094
Total net position	451,719,686	411,183,015
Total liabilities and net position	$ 548,071,065	$ 491,267,069

See accompanying notes to consolidated financial statements.

JACKSON COUNTY SCHNECK MEMORIAL HOSPITAL
AND AFFILIATED ORGANIZATIONS

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

	2021	2020
Operating revenues		
Net patient service revenue	$ 326,226,758	$ 305,233,280
Other revenue	5,154,127	6,403,177
Total operating revenues	331,380,885	311,636,457
Operating expenses		
Salaries and wages	157,553,971	150,515,702
Employee benefits and payroll taxes	16,189,699	19,570,233
Professional medical fees	3,537,657	3,402,198
Medical supplies	19,728,982	17,724,060
Other supplies	8,007,991	10,960,669
Drugs	16,843,522	14,424,784
Purchased services	41,295,067	29,414,162
Utilities	4,669,193	4,757,925
Insurance	4,236,204	3,977,943
Depreciation and amortization	11,854,773	11,759,692
Rent	20,229,449	21,780,884
Hospital assessment fee	4,182,798	6,870,148
Other operating expenses	7,050,887	7,315,085
Total operating expenses	315,380,193	302,473,485
Income from operations	16,000,692	9,162,972
Nonoperating revenues	24,535,979	28,463,606
Change in net position	40,536,671	37,626,578
Net position, beginning of year	411,183,015	373,556,437
Net position, end of year	$ 451,719,686	$ 411,183,015

See accompanying notes to consolidated financial statements.

JACKSON COUNTY SCHNECK MEMORIAL HOSPITAL
AND AFFILIATED ORGANIZATIONS

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

	2021	2020
Operating activities		
Cash received for patient services	$ 302,025,106	$ 308,446,483
Cash paid to/for employees	(171,305,098)	(165,992,494)
Cash paid to vendors and suppliers	(105,818,292)	(132,553,983)
Other receipts, net	5,154,127	6,403,177
Net cash flows from operating activities	30,055,843	16,303,183
Noncapital financing activities		
Noncapital contributions	884,211	755,272
Change in deferred revenues	(16,038,199)	20,733,992
Grant revenue	15,822,122	16,599,748
Net cash flows from noncapital financing activities	668,134	38,089,012
Capital and related financing activities		
Principal payments on long-term debt	(1,945,000)	(19,725,000)
Interest paid	(508,711)	(658,433)
Purchase of capital assets	(14,064,017)	(7,428,198)
Proceeds from sale of capital assets	23,463	2,825
Change in bond premiums	(26,351)	(26,351)
(Gain) loss on disposal of capital assets	(68,573)	35,827
Borrowings on long-term debt	1,300,000	17,895,000
Net cash flows from capital and related financing activities	(15,289,189)	(9,904,330)
Investing activities		
Investment income	8,266,967	12,275,083
Other nonoperating revenues (expenses)	71,390	(508,064)
Change in investments	(230,340)	571,552
Change in assets whose use is limited	(22,099,053)	(28,035,833)
Change in other assets	3,936,982	(1,084,822)
Net cash flows from investing activities	(10,054,054)	(16,782,084)
Net change in cash and cash equivalents	5,380,734	27,705,781
Cash and cash equivalents, beginning of year	167,019,821	139,314,040
Cash and cash equivalents, end of year	$ 172,400,555	$ 167,019,821
Reconciliation of cash and cash equivalents to the balance sheets		
Cash and cash equivalents in current assets	$ 103,917,508	$ 102,598,337
Cash and cash equivalents in assets whose use is limited	68,483,047	64,421,484
Total cash and cash equivalents	$ 172,400,555	$ 167,019,821

See accompanying notes to consolidated financial statements.

JACKSON COUNTY SCHNECK MEMORIAL HOSPITAL
AND AFFILIATED ORGANIZATIONS

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

	2021	2020
Reconciliation of income from operations to net cash and cash equivalents from operating activities		
Income from operations	$ 16,000,692	$ 9,162,972
Adjustments to reconcile income from operations to net cash flows from operating activities		
Depreciation	11,759,920	11,664,839
Amortization	94,853	94,853
Provision for bad debts	16,444,673	14,019,169
Changes in operating assets and liabilities		
Patient accounts receivable	(38,968,232)	(11,514,754)
Inventories	226,510	(1,348,292)
Prepaid expenses and other current assets	1,803,326	749,698
Net pension asset	(9,736,951)	8,058,685
Pension and goodwill deferred outflows	959,609	(5,449,061)
Accounts payable	22,009,684	(11,303,962)
Accrued personnel costs	1,038,961	282,209
Accrued expenses	(76,062)	(23,569)
Estimated third-party payor settlements	(1,678,093)	708,788
Pension deferred inflows	8,353,365	(837,853)
Deferred compensation liabilities	1,823,588	2,039,461
Net cash flows from operating activities	$ 30,055,843	$ 16,303,183
Supplemental disclosures of noncash operating and capital and related financing activities		
Property and equipment acquired included in accounts payable	$ 475,059	$ 133,891

See accompanying notes to consolidated financial statements.

JACKSON COUNTY SCHNECK MEMORIAL HOSPITAL
AND AFFILIATED ORGANIZATIONS

CONSOLIDATED STATEMENTS OF FIDUCIARY NET POSITION
DECEMBER 31, 2021 AND 2020

	2021	2020
	Pension (and other employee benefit) trust funds	Pension (and other employee benefit) trust funds
Assets		
Investments at fair value		
Money market funds	$ 1,330,580	$ 743,116
Mutual funds	8,537,500	6,858,322
Exchange traded funds	7,349,266	2,470,035
Common stocks	29,386,470	23,900,482
U.S. government securities	-0-	1,027,312
Total assets	$ 46,603,816	$ 34,999,267
Net position		
Restricted for:		
Pensions	$ 45,812,798	$ 34,401,689
Postemployment benefits other than pensions	791,018	597,578
Total net position	$ 46,603,816	$ 34,999,267

See accompanying notes to consolidated financial statements.

JACKSON COUNTY SCHNECK MEMORIAL HOSPITAL
AND AFFILIATED ORGANIZATIONS

CONSOLIDATED STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
DECEMBER 31, 2021 AND 2020

	2021	2020
	Pension (and other employee benefit) trust funds	Pension (and other employee benefit) trust funds
Additions		
Contributions:		
Employer	$ 107,538	$ 101,859
Investments earnings		
Net increase (decrease) in fair value	13,061,033	(3,320,008)
Interest, dividends, and other	831,192	724,067
Total investment earnings	13,892,225	(2,595,941)
Total additions	13,999,763	(2,494,082)
Deductions		
Benefits paid to participants or beneficiaries	2,326,994	2,547,589
Administrative expenses	68,220	45,374
Other disbursements	-0-	-0-
Total deductions	2,395,214	2,592,963
Net increase (decrease) in fiduciary net position	11,604,549	(5,087,045)
Net position - beginning of year	34,999,267	40,086,312
Net position - end of year	$ 46,603,816	$ 34,999,267

See accompanying notes to consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Jackson County Schneck Memorial Hospital (d/b/a Schneck Medical Center) (the "Hospital") is a not-for-profit, acute care hospital located in Seymour, Indiana. The Hospital is county owned and operates under the Indiana County Hospital Law, Indiana Code 16-22. The Hospital is organized for the purpose of providing healthcare services to the residents of Jackson County and the surrounding area. The Hospital's primary sources of support are from patient revenues and other ancillary income. Patient revenues include funds received from Medicare, state agencies, insurance companies, and the patients themselves.

Pursuant to the provision of long-term care, the Hospital owns the operations of fourteen long term care facilities by way of an arrangement with the managers of the facilities. These facilities provide inpatient and therapy services. Generally, gross revenues from the operation of the facilities are the property of the Hospital and the Hospital is responsible for the associated operating expenses and working capital requirements. While the management and related lease agreements are in effect, the performance of all activities of the managers shall be on behalf of the Hospital and the Hospital retains the authority for the operation of the facilities.

The Hospital has entered into lease agreements with the long-term care facilities, collectively referred to as the Lessors, to lease the facilities. Concurrently, the Hospital entered into agreements with the long-term care facilities to manage the above leased facilities, collectively referred to as the Managers. As part of the agreements, the Hospital will pay the Managers a management fee to continue managing the facilities on behalf of the Hospital in accordance with the terms of the agreements. These management fees consist of base management fees, subordinated management fees, and quarterly incentive payments. The agreements' initial terms expire at various times beginning in 2016 and beyond. The terms of these agreements may be renewed at the end of each term for an additional period of two years. All parties involved can terminate the agreement without cause with 90 days written notice. Other current assets and liabilities include certain reimbursement receivables, accrued fees and expenses, and working capital balances related to the long-term care facilities.

Health Development Corporation ("HDC") is a not-for-profit corporation located in Seymour, Indiana. HDC was organized to operate exclusively for the benefit of, to perform the functions of, and to carry out the purposes of the Hospital by recruiting physicians to the surrounding area and by providing medical education programs to the medical and Hospital staff. HDC's primary sources of revenue are from service fees charged to the Hospital.

HDC's consolidated financial statements, include the accounts of Coordinated Health, LLC (the "Clinic"). The Clinic is wholly-owned by HDC and began operations in 2002. The Clinic was organized to operate exclusively for the benefit of HDC and the purposes for which HDC is organized and operated, including the promotion and support of the health of Jackson County, Indiana residents and residents of surrounding communities. Currently, the Clinic operates three healthcare facilities located in North Vernon, Salem, and Scottsburg, Indiana. The Clinic's primary source of revenue is from patient services.

The Jackson County Schneck Memorial Hospital Foundation, Inc. (d/b/a Schneck Medical Center Foundation) (the "Foundation") is a not-for-profit organization located in Seymour, Indiana. The Foundation operates for the benefit of the Hospital. The Foundation's main sources of revenue are earnings on investments, and donations received.

Jackson Medical Building, LLC ("JMB") is a limited liability company that is wholly owned by the Hospital. JMB was organized to own and operate a medical office building located on the Hospital's campus. JMB's primary source of revenue is from rental income.

The significant accounting policies followed by the Hospital, HDC, the Clinic, JMB, and the Foundation (collectively the "Medical Center") in the preparation of the consolidated financial statements (hereinafter "financial statements") are summarized below:

Reporting Entity and Consolidation Policy

The accompanying financial statements include the accounts of the Hospital, HDC, the Clinic, JMB, and the Foundation. The Board of County Commissioners of Jackson County appoints the governing Board of Trustees of the Hospital, and a financial benefit/burden relationship exists between the Hospital and the Jackson County government. For these reasons, the Hospital is considered a component unit of Jackson County. Similarly, due to their organized purposes, HDC, the Clinic, JMB, and the Foundation are considered blended component units of the Hospital. Intercompany transactions and balances have been eliminated in consolidation. The separate audited financial statements of HDC (including the Clinic) and the Foundation may be obtained by contacting the Hospital as follows:

Schneck Medical Center
411 W. Tipton Street
P.O. Box 2349
Seymour, IN 47274

Financial Statement Presentation

The Governmental Accounting Standards Board ("GASB") is the independent, private-sector organization that establishes accounting and financial reporting standards for U.S. state and local governments that follow accounting principles generally accepted in the United States of America ("GAAP"). The Medical Center follows GASB accounting and financial reporting standards in the preparation of their financial statements.

Measurement Focus and Basis of Accounting

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

Pensions

For purposes of measuring the net pension asset, deferred outflows, and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the Jackson County Schneck Memorial Hospital Employees' Pension Plan, and Schneck Medical Center Retirement Allowance Plan 457(f) (the "Plans"), and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fiduciary Funds

Following the Medical Center's financial statements are separate financial statements for fiduciary funds. Fiduciary funds are excluded from the Medical Center's financial statements as these assets are held in a trust capacity for the various associates and cannot be used to support the Hospital's programs. These funds include the Jackson County Schneck Memorial Hospital Employees' Pension Plan and Schneck Medical Center Retirement Allowance Plan 457(f).

Risk Management

The Medical Center is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years. The Medical Center is insured for medical malpractice claims and judgments.

Cash and Cash Equivalents

Cash and cash equivalents as reported on the consolidated balance sheets include petty cash and other cash on hand amounts, checking accounts, and savings accounts that are readily available for use. Cash and cash equivalents as reported on the consolidated statements of cash flows include investments in highly liquid assets with maturity dates of 90 days or less when purchased.

Investments

Investments include certificates of deposit amounts maturing within one year of the dates of the consolidated balance sheets. Investments are recorded at cost, which approximates market value.

Patient Accounts Receivable and Net Patient Service Revenue

The Medical Center recognizes net patient service revenues on the accrual basis of accounting in the reporting period in which services are performed based on the current gross charge structure, less actual adjustments and estimated discounts for contractual allowances, principally for patients covered by Medicare, Medicaid, managed care, and other health plans. Gross patient service revenue is recorded in the accounting records using the established rates for the types of service provided to the patient. The Medical Center recognizes an estimated contractual allowance to reduce gross patient charges to the estimated net realizable amount for service rendered based upon previously agreed-to rates with a payor. The Medical Center utilizes the patient accounting system to calculate contractual allowances on a payor-by-payor basis based on the rates in effect for each primary third-party payor. Another factor that is considered and could further influence the level of the contractual reserves includes the status of accounts receivable balances as inpatient or outpatient. The Medical Center's management continually reviews the contractual estimation process to consider and incorporate updated laws and regulations and the frequent changes in managed care contractual terms that result from contract negotiations and renewals.

Payors include federal and state agencies, including Medicare and Medicaid, managed care health plans, commercial insurance companies, and patients. These third-party payors provide payments to the Medical Center at amounts different from its established rates based on negotiated reimbursement agreements. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and fee schedule payments. Retroactive adjustments under reimbursement agreements with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Allowance for Doubtful Accounts

Accounts receivable are reduced by an allowance for doubtful accounts based on the Medical Center's evaluation of its major payor sources of revenue, the aging of the accounts, historical losses, current economic conditions, and other factors unique to the service area and the healthcare industry. Management regularly reviews data about the major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts.

For receivables associated with services provided to patients who have third-party payor coverage, the Medical Center analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulty that make the realization of amounts due unlikely). For receivables associated with self-pay payments, 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, the Medical Center records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible.

The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts. The December 31, 2021 and 2020 allowance for doubtful accounts balances were comprised of the following:

	2021	2020
Reserve for third-party payor balances	$ 11,689,977	$ 9,196,138
Reserve for self-pay balances	16,344,353	14,245,720
Total allowance for uncollectible accounts	$ 28,034,330	$ 23,441,858

Inventories

Inventories consist of medical supplies, pharmaceuticals, and office supplies and are valued at the lower of cost or net realizeable value, with cost being determined on the first-in, first-out (FIFO) method.

Investments and Assets Whose Use is Limited

Investments in certificates of deposit are reported in the financial statements at cost, which approximates fair value.

Assets whose use is limited include assets set aside by the respective Boards for future capital improvements, over which the Boards retain control and may at their discretion subsequently use for other purposes; assets held by trustees under indenture agreements; and assets that have been restricted by donors for specific purposes.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair market value in the consolidated balance sheets. Investment income or loss, including realized gains and losses on investments and assets whose use is limited, net change in the market value of assets whose use is limited, interest, and dividends, is included in nonoperating revenues (expenses) when earned.

Capital Assets

The Medical Center's capital assets are reported at historical cost and include expenditures for additions and repairs which substantially increase the useful lives of capital assets. Maintenance, repairs, and minor improvements are expensed as incurred. Contributed capital assets are reported at their estimated fair value at the time of their donation. All capital assets other than land and construction in progress are depreciated using the straight-line method of depreciation over their estimated useful lives based upon the American Hospital Association Guide for Estimated Useful Lives for Fixed Assets.

Pension and Goodwill Deferred Outflows

The Medical Center purchased certain assets of a physician practice resulting in a recognition of goodwill in the amount of $1,075,000. Goodwill is being amortized over 136 months. The amount of unamortized goodwill at December 31, 2021 and 2020 was $577,022 and $671,875, respectively.

Classification of Net Position

The net position of the Medical Center is classified in four components. (1) *Net investment in capital assets* consists of capital assets net of accumulated depreciation which are reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. (2) *Restricted expendable net position* includes assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Medical Center, including amounts deposited with trustees as required by revenue bond indentures. (3) *Restricted nonexpendable net position* includes the principal portion of permanent endowments and non-controlling interests owned by external investors. (4) *Unrestricted net position* is the remaining net position that does not meet the definition of *net investment in capital assets* or *restricted*. When both restricted and unrestricted resources are available for use, the Medical Center's policy is to use restricted resources first, then unrestricted resources as they are needed.

Consolidated Statements of Operations and Changes in Net Position

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are reported as revenues and expenses. Peripheral and incidental transactions are reported as nonoperating revenues (expenses). Nonoperating revenues (expenses) which are excluded from income from operations include investment income, contributions received, restricted expenditures, and the net change in the market value of assets whose use is limited.

Advertising and Marketing Costs

Advertising and marketing costs are charged to operations when incurred. Advertising and marketing costs charged to operations were $713,624 and $798,051 for the years ended December 31, 2021 and 2020, respectively.

Charity Care

The Medical Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Amounts determined to qualify as charity care are reported as reductions of net patient service revenue.

Income Taxes

The Hospital has been granted exemption from taxation as a not-for-profit organization by the Internal Revenue Service under Section 115, and in 2005 was also granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code for purposes of maintaining a 403b deferred compensation plan. Therefore, no provision for income taxes has been provided in the consolidated statements of operations and changes in net position. HDC and the Foundation are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. As such, HDC and the Foundation are generally exempt from income taxes. However, HDC and the Foundation are required to file Federal Form 990 – Return of Organization Exempt from Income Tax which is an informational return only. The Clinic and JMB are both organized as a single-member Limited Liability Company ("LLC"). As of December 31, 2021, the 2017 - 2021 income tax years are still open for tax examinations for both the Clinic and JMB. HDC is the sole member of the Clinic, and the Hospital is the sole member of JMB. As such, the Clinic and JMB are not required to file separate state or federal tax returns. For tax reporting purposes, all activities of the Clinic are required to be filed with the activities of HDC, and all activities of JMB are required to be filed with the activities of the Hospital.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by each entity comprising the Medical Center and recognize a tax liability if any Medical Center entity has taken an uncertain tax position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by each entity of the Medical Center, and has concluded that as of December 31, 2021 and 2020, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. Each entity of the Medical Center is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Grants and Contributions

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

Reclassifications

Certain reclassifications have been made to the 2020 financial statements to correspond to the current year's format. Total net position and change in net position are unchanged due to these reclassifications.

Subsequent Events

The Medical Center has evaluated events or transactions occurring subsequent to the consolidated balance sheet date for recognition and disclosure in the accompanying financial statements through the date the financial statements were available to be issued, which is April 29, 2022.

2. DEPOSITS AND INVESTMENTS

Deposits and investments are comprised of the following at December 31, 2021 and 2020:

	2021	2020
Carrying amount		
Cash and cash equivalents	$ 172,400,555	$ 167,019,821
Certificates of deposit	14,000,000	14,000,000
Brokered certificates of deposit	4,308,054	4,436,304
Market-linked certificates of deposit	410,827	302,579
Mutual funds	117,437,727	95,645,681
Exchange-traded funds	417,064	433,551
Money market mutual funds	20,064,336	19,622,075
Perpetual trust	390,053	360,009
Interest receivable	5,269	9,468
Fixed income guaranteed option	408,297	96,036
Common stocks	1,889,845	2,102,273
Preferred stocks	15,258	15,798
Annuities	258,828	252,391
Total	$ 332,006,113	$ 304,295,986
Included in the consolidated balance sheet captions:		
Cash and cash equivalents	$ 103,917,508	$ 102,598,337
Investments	8,982,141	8,751,801
Assets whose use is limited	219,106,464	192,945,848
Total	$ 332,006,113	$ 304,295,986

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Medical Center's deposits may not be returned to it. The Medical Center does not have a deposit policy for custodial credit risk. Deposits with financial institutions in the State of Indiana at year-end were entirely insured by the Federal Depository Insurance Corporation ("FDIC") or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying institution.

Investments are carried at fair value or cost which approximates fair value. Net realized gains and losses on security transactions are determined on the specific identification cost basis. As of December 31, 2021 and 2020, the Medical Center had the following investments and maturities, all of which were held in the Medical Center's name by custodial banks or investment companies that are agents of the Medical Center:

December 31, 2021

		Investment Maturities (in years)			
	Carrying Amount	Less than 1	1 - 5	6 - 10	More than 10
Certificates of deposit	$ 18,718,881	$ 15,478,335	$ 3,240,546	$ -0-	$ -0-

December 31, 2020

		Investment Maturities (in years)			
	Carrying Amount	Less than 1	1 - 5	6 - 10	More than 10
Certificates of deposit	$ 18,738,883	$ 15,474,120	$ 3,264,763	$ -0-	$ -0-

Interest Rate Risk

Interest risk rate is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The Medical Center does have formal investment policies that limit investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. The Hospital's current investment policy limits investments with maturities of two years or longer to no more than 60 percent of total investments. The Foundation's investment policy prohibits the purchase of fixed income securities with original maturities of more than 10 years, unless the securities are part of a fund portfolio which has an average maturity of not greater than 10 years.

Concentration of Credit Risk

The Hospital places no limit on the amount it may invest in any one issuer. The Foundation limits investments in securities of a single issuer to 10 percent of the portfolio's total market value. This limitation does not include U.S. Government Securities. The Medical Center maintains its investments, which at times may exceed federally insured limits. The Medical Center has not experienced any losses in such accounts. The Medical Center believes that it is not exposed to any significant credit risk on investments.

Fair Value Measurements and Disclosures

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

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Medical Center has the ability to access.

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

- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2021 and 2020.

- *Brokered certificates of deposit*: Determined by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

- *Market-linked certificates of deposit:* Determined by earning interest based on a market index, or a basket of equities (or both) that are underlying the certificate of deposit. The interest earned is based on the participation rate within the linked index.

- *Mutual funds*: Valued at the daily closing price as reported by the fund. Mutual funds held by the Medical Center are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Medical Center are deemed to be actively traded.

- *Exchange-traded funds (ETFs)*: Valued at the closing price on the active exchange on which the individual securities are traded. Unlike mutual funds, ETFs trade like common stocks and are not required to publish and transact their daily net asset value. The ETFs held by the Medical Center are deemed to be actively traded.

- *Money market mutual funds*: Generally transact subscription and redemption activity at a $1 stable net asset value (NAV) however, on a daily basis the funds are valued at their daily NAV calculated using the amortized cost of the securities held in the fund.

- *Perpetual trust*: Valued at fair value as reported by the trustee, which represents the Medical Center's *pro rata* interest in the net position of the trust, substantially all of which are valued on a mark-to-market basis.

- *Fixed income guaranteed option*: Guaranteed investment contracts are valued at fair value by the insurance company by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the creditworthiness of the issuer. Since the participants transact at contract value, fair value is determined annually for financial statement reporting purposes only. In determining the reasonableness of the methodology the Finance Committee evaluates a variety of factors including review of existing contracts, economic conditions, industry and market developments, and overall credit ratings. Certain unobservable inputs are assessed through review of contract terms (for example, duration or payout date) while others are substantiated utilizing available market data (for example, swap curve rate).

- *Common and preferred stocks*: Valued at the closing price reported on the active market on which the individual securities are traded.

- *Annuities*: Valued at contract value, which approximates fair value, which represents deposits and reinvested interest, less any withdrawals plus accrued interest.

The following table set forth by level, within the hierarchy, the Medical Center's assets measured at fair value on a recurring basis as of December 31, 2021, are as follows:

	Level 1	Level 2	Level 3	Total
Assets				
Mutual funds				
Small	$ 9,091,825	$ -0-	$ -0-	$ 9,091,825
Mid	21,931,511	-0-	-0-	21,931,511
Large	34,506,034	-0-	-0-	34,506,034
Foreign	14,145,814	-0-	-0-	14,145,814
Diversified emerging markets	6,140,066	-0-	-0-	6,140,066
World large stock	9,273,802	-0-	-0-	9,273,802
Intermediate core bond	11,672,214	-0-	-0-	11,672,214
Target date	8,857,513	-0-	-0-	8,857,513
Bank loan	13,814	-0-	-0-	13,814
Short government	630,009	-0-	-0-	630,009
Multisector	1,175,125	-0-	-0-	1,175,125
	117,437,727	-0-	-0-	117,437,727
Common stocks	1,889,845	-0-	-0-	1,889,845
Preferred stocks	15,258	-0-	-0-	15,258
Exchange-traded funds	417,064	-0-	-0-	417,064
Money market mutual funds	-0-	20,064,336	-0-	20,064,336
Brokered certificates of deposit	-0-	4,308,054	-0-	4,308,054
Market-linked certificates of deposit	-0-	410,827	-0-	410,827
Annuities	-0-	258,828	-0-	258,828
Fixed income guaranteed option	-0-	408,297	-0-	408,297
Perpetual trust, held by trustee	-0-	-0-	390,053	390,053
Total assets at fair value	$ 119,759,894	$ 25,450,342	$ 390,053	145,600,289
Cash and cash equivalents				172,400,555
Certificates of deposit				14,000,000
Interest receivable				5,269
Total deposits and investments				$ 332,006,113

The following table set forth by level, within the hierarchy, the Medical Center's fiduciary activities assets measured at fair value on a recurring basis as of December 31, 2021, are as follows:

Fiduciary Funds

	Level 1	Level 2	Level 3	Total
Assets				
Mutual funds	$ 8,537,500	$ -0-	$ -0-	$ 8,537,500
Common stocks				
Basic industries	4,198,236	-0-	-0-	4,198,236
Basic materials	284,825	-0-	-0-	284,825
Communication services	1,130,896	-0-	-0-	1,130,896
Consumer cyclical	3,273,536	-0-	-0-	3,273,536
Consumer defensive	1,380,076	-0-	-0-	1,380,076
Energy	639,403	-0-	-0-	639,403
Financial services	4,559,992	-0-	-0-	4,559,992
Healthcare	3,159,421	-0-	-0-	3,159,421
Industrials	1,673,178	-0-	-0-	1,673,178
Real estate	2,391,236	-0-	-0-	2,391,236
Technology	5,920,010	-0-	-0-	5,920,010
Utilities	775,661	-0-	-0-	775,661
	29,386,470	-0-	-0-	29,386,470
Exchange-traded funds	7,349,266	-0-	-0-	7,349,266
Money market mutual funds	-0-	1,330,580	-0-	1,330,580
Total assets at fair value	$ 45,273,236	$ 1,330,580	$ -0-	$ 46,603,816

The following table set forth by level, within the hierarchy, the Medical Center's asset measured at fair value on a recurring basis as of December 31, 2020, are as follows:

	Level 1	Level 2	Level 3	Total
Assets				
Mutual funds				
Small	$ 7,770,584	$ -0-	$ -0-	$ 7,770,584
Mid	15,481,566	-0-	-0-	15,481,566
Large	29,586,541	-0-	-0-	29,586,541
Foreign	11,966,588	-0-	-0-	11,966,588
Diversified emerging markets	5,472,240	-0-	-0-	5,472,240
World large stock	7,415,862	-0-	-0-	7,415,862
Inflation protected bond	1,184,719	-0-	-0-	1,184,719
Intermediate core bond	8,638,730	-0-	-0-	8,638,730
Target date	8,117,409	-0-	-0-	8,117,409
Bank loan	11,442	-0-	-0-	11,442
	95,645,681	-0-	-0-	95,645,681
Common stocks	2,102,273	-0-	-0-	2,102,273
Preferred stocks	15,798	-0-	-0-	15,798
Exchange-traded funds	433,551	-0-	-0-	433,551
Money market mutual funds	-0-	19,622,075	-0-	19,622,075
Brokered certificates of deposit	-0-	4,436,304	-0-	4,436,304
Market-linked certificates of deposit	-0-	302,579	-0-	302,579
Annuities	-0-	252,391	-0-	252,391
Fixed income guaranteed option	-0-	96,036	-0-	96,036
Perpetual trust, held by trustee	-0-	-0-	360,009	360,009
Total assets at fair value	$ 98,197,303	$ 24,709,385	$ 360,009	123,266,697
Cash and cash equivalents				167,019,821
Certificates of deposit				14,000,000
Interest receivable				9,468
Total deposits and investments				$ 304,295,986

The following table set forth by level, within the hierarchy, the Medical Center's fiduciary activities assets measured at fair value on a recurring basis as of December 31, 2020, are as follows:

Fiduciary Funds

	Level 1	Level 2	Level 3	Total
Assets				
Mutual funds				
Small	$ 355,120	$ -0-	$ -0-	$ 355,120
Mid	160,664	-0-	-0-	160,664
Large	4,896,039	-0-	-0-	4,896,039
Foreign	368,595	-0-	-0-	368,595
Diversified emerging markets	563,349	-0-	-0-	563,349
Intermediate core bond	23,972	-0-	-0-	23,972
Target date	173,685	-0-	-0-	173,685
Allocation	13,191	-0-	-0-	13,191
Options based	303,707	-0-	-0-	303,707
	6,858,322	-0-	-0-	6,858,322
Common stocks				
Basic materials	201,302	-0-	-0-	201,302
Communication services	1,246,326	-0-	-0-	1,246,326
Consumer cyclical	2,598,998	-0-	-0-	2,598,998
Consumer defensive	923,283	-0-	-0-	923,283
Energy	467,596	-0-	-0-	467,596
Financial services	3,848,454	-0-	-0-	3,848,454
Healthcare	2,974,081	-0-	-0-	2,974,081
Industrials	4,529,496	-0-	-0-	4,529,496
Real estate	217,149	-0-	-0-	217,149
Technology	6,258,164	-0-	-0-	6,258,164
Utilities	635,633	-0-	-0-	635,633
	23,900,482	-0-	-0-	23,900,482
Exchange-traded funds	2,470,035	-0-	-0-	2,470,035
Money market mutual funds	-0-	743,116	-0-	743,116
U.S. government securities	-0-	1,027,312	-0-	1,027,312
Total assets at fair value	$ 33,228,839	$ 1,770,428	$ -0-	$ 34,999,267

The Medical Center's policy is to recognize transfers between levels as of the end of the reporting period. There were no significant transfers between levels 1, 2, and 3 during 2021 and 2020.

The following summary sets forth a summary of changes in the fair values of the Medical Center's Level 3 assets for the years ended December 31, 2021 and 2020:

	2021 Perpetual Trust Held by Trustee	2020 Perpetual Trust Held by Trustee
Balance, beginning of the year	$ 360,009	$ 344,540
Purchase of investments	-0-	-0-
Redemption	-0-	-0-
Change in investment value	30,044	15,469
Balance, end of year	$ 390,053	$ 360,009

3. PATIENT ACCOUNTS RECEIVABLE

Patient accounts receivable reported as current assets at December 31, 2021 and 2020, consist of the following:

	2021	2020
Medicare	$ 41,387,443	$ 24,117,704
Medicaid	24,796,495	13,365,464
Blue Cross	24,224,246	9,302,202
Other insurance carriers	21,724,817	12,610,762
Patients	17,265,683	15,462,408
Total patient accounts receivable	129,398,684	74,858,540
Less allowance for contractuals	51,836,679	24,412,566
Less allowance for uncollectible amounts	28,034,330	23,441,858
Patient accounts receivable, net	$ 49,527,675	$ 27,004,116

4. ASSETS WHOSE USE IS LIMITED

Assets whose use is limited that are required for obligations classified as current liabilities are reported in current assets. Assets whose use is limited are reported at market value and include the following at December 31, 2021 and 2020:

Investment Summary by Type

	2021	2020
Cash and cash equivalents	$ 68,483,047	$ 64,421,484
Money market funds	20,064,336	19,622,075
Exchange-traded market funds	417,064	433,551
Interest receivable	5,269	9,468
Certificates of deposit	6,000,000	6,000,000
Brokered certificates of deposit	4,308,054	4,436,304
Market-linked certificates of deposit	410,827	302,579
Common stocks	907,704	1,350,472
Preferred stocks	15,258	15,798
Mutual funds	117,437,727	95,645,681
Perpetual trust, held by trustee	390,053	360,009
Fixed income guaranteed option	408,297	96,036
Annuities	258,828	252,391
Total assets whose use is limited	219,106,464	192,945,848
Less amount required for current obligations	1,729,374	10,441,818
Assets whose use is limited, net of amount required to meet current obligations	$ 217,377,090	$ 182,504,030

Investment Summary by Fund

	2021	2020
Board-Designated Funds	$ 199,397,349	$ 166,448,462
Trustee-Held Funds	2,824,954	3,074,547
Donor-Restricted Funds	3,440,634	3,368,254
Deferred Compensation Funds	13,443,527	11,619,939
Deferred Revenues	-0-	8,434,646
Total	$ 219,106,464	$ 192,945,848

Board-Designated Funds

The Hospital's Board of Trustees approved the funding of depreciation expense to meet the capital asset replacement needs of the facility. Depreciation is funded totally with expenditures for capital items reducing the funded depreciation balance. Board-designated funds also include amounts intended for specific purposes, as established by the Hospital's, HDC's, and Foundation's separate Boards. All income earned by the board-designated accounts is left to accumulate as additions to the funds. Board-designated funds remain under the control of the separate Boards, which may at their discretion later use for other purposes. Therefore, all board-designated funds are included in unrestricted net position.

Trustee-Held Funds

The trustee-held funds are restricted for the payments of principal and interest related to certain long-term debt agreements.

Donor-Restricted Funds

Donor-restricted funds represent donations that have been restricted by donors for specific purposes.

Deferred Compensation Funds

The deferred compensation funds represent assets that have accumulated under the Medical Center's deferred compensation plan. The Medical Center simply maintains the funds for the participants until they are withdrawn. The Medical Center records a liability equal to the deferred compensation assets.

Deferred Revenues

Deferred revenues represent grant funds received in advance of the Medical Center using them for their required purpose.

5. CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2021 and 2020, was as follows:

	2021			
	Beginning Balance	Additions	Retirements/ Transfers	Ending Balance
Land	$ 10,979,288	$ -0-	$ 26,991	$ 11,006,279
Land improvements	4,878,520	51,299	-0-	4,929,819
Buildings	150,934,716	1,359,056	6,949,559	159,243,331
Fixed equipment	7,742,657	77,210	433,330	8,253,197
Movable equipment	60,092,328	8,476,942	(2,092,492)	66,476,778
Construction in progress	3,635,898	4,574,569	(7,326,348)	884,119
Total historical cost	238,263,407	14,539,076	(2,008,960)	250,793,523
Less accumulated depreciation for				
Land improvements	(3,120,088)	(185,982)	-0-	(3,306,070)
Buildings	(59,615,340)	(6,789,575)	(2,361)	(66,407,276)
Fixed equipment	(5,000,811)	(369,461)	-0-	(5,370,272)
Movable equipment	(46,661,500)	(4,414,902)	2,056,431	(49,019,971)
Total accumulated depreciation	(114,397,739)	(11,759,920)	2,054,070	(124,103,589)
Capital assets, net	$ 123,865,668	$ 2,779,156	$ 45,110	$ 126,689,934

	2020			
	Beginning Balance	Additions	Retirements/ Transfers	Ending Balance
Land	$ 10,822,270	$ 157,018	$ -0-	$ 10,979,288
Land improvements	4,841,832	62,127	(25,439)	4,878,520
Buildings	147,394,278	1,403,559	2,136,879	150,934,716
Fixed equipment	7,697,910	39,753	4,994	7,742,657
Movable equipment	57,285,366	3,073,300	(266,338)	60,092,328
Construction in progress	4,126,307	2,826,332	(3,316,741)	3,635,898
Total historical cost	232,167,963	7,562,089	(1,466,645)	238,263,407
Less accumulated depreciation for				
Land improvements	(2,967,150)	(184,754)	31,816	(3,120,088)
Buildings	(53,075,965)	(6,606,398)	67,023	(59,615,340)
Fixed equipment	(4,681,555)	(324,931)	5,675	(5,000,811)
Movable equipment	(43,436,223)	(4,548,756)	1,323,479	(46,661,500)
Total accumulated depreciation	(104,160,893)	(11,664,839)	1,427,993	(114,397,739)
Capital assets, net	$ 128,007,070	$ (4,102,750)	$ (38,652)	$ 123,865,668

Long-Lived Asset Impairment

The Medical Center evaluates the recoverability of the carrying value of long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets. No asset impairment was recognized during the years ended December 31, 2021 and 2020.

6. OTHER ASSETS

At December 31, 2021 and 2020, other assets consist of the following:

	2021	2020
Physician notes receivable	$ 1,864,861	$ 1,956,855
Notes receivable	156,291	19,352
Investment in managed care company	1,127,782	4,846,405
Investment in RCG Columbus, LLC	974,900	974,900
Investment in captive insurance company	335,311	335,311
Captive insurance company subscriber savings	1,969,513	2,193,545
Investment in Inspire Health Partners	533,707	571,139
Other	5,700	7,540
Total other assets	6,968,065	10,905,047
Other assets, current portion	(862,638)	(670,139)
Other assets, net of current portion	$ 6,105,427	$ 10,234,908

Physician notes receivable are in varying amounts maturing through 2026. If the physicians meet the period of service requirement, the Medical Center will forgive these notes. If the physicians do not meet the period-of-service requirement, the notes are immediately due in full. Interest rates vary and are at the prime rate + 1 percent to the prime rate + 2 percent (4.25% to 5.25% at December 31, 2021).

The Medical Center has an ownership interest in a healthcare managed care company of 33 percent. The Medical Center accounts for its investment using the equity method.

The Medical Center has a 12.25 percent ownership interest in RCG Columbus, LLC ("RCG"). RCG provides renal care to patients. The Medical Center's investment in RCG is being accounted for under the cost method.

The Medical Center is a 7.1 percent owner of Tecumseh Health Reciprocal Risk Retention Group (the "Captive"), a risk retention company created to purchase professional liability and general liability insurance for its members. The Medical Center accounts for this investment using the cost method. In addition, the Captive retains a subscriber savings account for each of its members based upon the premiums paid in and the resulting claims paid out, plus other factors. Members are paid the balance of their subscriber savings account once they leave the Captive in accordance with the terms of the Captive agreement.

The Medical Center is a 50 percent owner of Inspire Health Partners ("Inspire"), which is a clinically integrated network of physicians and healthcare providers who work together to coordinate patient care. Inspire is a collaboration between various hospitals, physicians, and the Medical Center to offer a community-based provider network that ensures patients get the right care, at the right time, in the right setting, in the most cost-effective manner. The Medical Center does not have majority voting rights or control over Inspire. The Medical Center accounts for this investment using the equity method.

Separate financial statements related to the joint ventures described above may be obtained by contacting Medical Center management.

7. COMPENSATED ABSENCES

The Medical Center provides a paid time off ("PTO") policy to employees for vacation, sick time, personal days, and holidays. Upon employment, full and part-time employees who are budgeted, scheduled, and work at least 37.5 hours per pay period accrue PTO from the date of hire. After completion of 3 months of service as a benefit eligible employee, PTO may be used with pay for the total amount accrued.

The rate at which full-time employees earn PTO and the maximum number of hours that may be banked are as follows:

Employee Type	Length of Service	PTO earned for each hour paid	Maximum PTO bank
Non-exempt	0 - 2 years	0.0885	368 hours
Non-exempt	2 - 10 years	0.1077	448 hours
Non-exempt	10 or more years	0.1270	528 hours
Exempt	0 - 2 years	0.0885	368 hours
Exempt	2 - 5 years	0.1077	448 hours
Exempt	5 or more years	0.1270	528 hours
Vice Presidents	Upon hire	0.1462	608 hours

PTO days are accrued when incurred. The PTO accrual at December 31, 2021 and 2020 was $6,218,223 and $5,746,079, respectively and is reported in accrued personnel costs on the consolidated financial statements.

8. EMPLOYEE HEALTH BENEFIT PLAN

The Medical Center operates a self-funded health plan covering substantially all employees. The Medical Center has an annual stop loss limit on the plan of $100,000 per insured per year and an aggregate stop loss limit of approximately $8,500,000. Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amounts of pay out, and other economic and social factors. The accrued liability for claims liabilities is recorded in accrued personnel costs on the consolidated balance sheets.

Changes in the balance of claims liabilities during the years ended December 31, 2021 and 2020, were as follows:

	2021	2020
Accrued liability, beginning of year	$ 1,527,901	$ 1,455,718
Incurred claims, changes in estimates, and fees/premiums	9,237,948	10,683,317
Claim payments	(9,471,062)	(10,611,134)
Accrued liability, end of year	$ 1,294,787	$ 1,527,901

9. DEFINED BENEFIT PENSION PLAN

Plan Description

The Medical Center sponsors a single-employer, defined benefit pension plan established to provide retirement, termination/severance, disability, and survivor benefits for Medical Center employees. The Plan was established on May 1, 1975 and was last restated effective May 1, 2013. Benefit provisions are established or may be amended at any time by the action of the Plan's Board of Trustees. The Medical Center functions as the plan administrator of the defined benefit pension plan, as authorized by IC 16-22-3-11. A publicly available financial report that includes the defined benefit pension plan's financial statements and required supplementary information may be obtained by contacting:

Schneck Medical Center
P.O. Box 2349
Seymour, IN 47274
Ph. (812) 522-0118

Benefits Provided

The Plan provides that the monthly retirement benefit shall be a pension payable for the member's lifetime equal to one percent (1.00%) of the member's monthly plan compensation, plus sixty-five hundredths of one percent (0.65%) in excess of covered compensation. This sum is then multiplied by the years of benefit service up to thirty (30) years to arrive at the benefit amount. Benefit service is not credited prior to May 1, 1970. The accrued benefit shall not be less than the benefit accrued as of April 30, 1990.

Employees became eligible members of the Plan after one year of service and age twenty-one. Participants are fully vested after 5 years of service. Participation and the accrual of benefits for additional years of service for active participants was frozen as of July 1, 2010.

The employee normal retirement date is age 65 if the employee's date of participation is prior to May 1, 1990, or the later of age 65 or 5 years of service if the employee's date of participation is on or after May 1, 1990. The employee early retirement date can occur once an employee has attained age 55 and has 10 years of service. A reduced early retirement benefit is available to members with at least ten years of vesting service any time after attainment of age 55, with a reduction factor determined by the date of severance from employment.

For participants who severed employment prior to May 1, 2002, the accrued benefit is reduced one-one hundred eightieth (1/180) for each completed month of the first five years and one-three hundred sixtieth (1/360) for each completed month of the next five years by which the date of commencement precedes the normal retirement date. For participants who severed employment on or after May 1, 2002, the accrued benefit is reduced three percent for each year by which the date of commencement precedes the normal retirement date.

A terminated participant is eligible for termination benefits after five or more years of service with an hour of service after May 1, 2000. A disabled participant is eligible for disability retirement after five or more years of service with an hour of service after May 1, 2000.

The employee's death benefit is payable to a surviving spouse after the satisfaction of early retirements and prior to actual or normal retirement. If a participant's death occurs while an employee on or after satisfaction of early retirement requirements and prior to the earlier of their termination of employment or late retirement, their surviving spouse, if any, will be entitled to a fifty percent survivor benefit. If a participant's death occurs on or after their actual retirement while an employee, but prior to the commencement of their retirement benefit their beneficiary will be entitled to the benefit if any, payable on account of the participant's death, assuming their retirement benefit had commenced the day before their death.

Funding Policy

No contributions from active plan members are required or permitted. The Internal Revenue Service has determined that the plan is a government plan which is not subject to Employee Retirement Income Security Act (ERISA) minimum funding requirements.

Employees Covered by Benefit Terms

At April 30, 2021 and 2020, the following employees were covered by the benefit terms:

	2021	2020
Inactive plan members or beneficiaries currently receiving benefits	289	281
Inactive plan members or beneficiaries entitled to but not yet receiving benefits	186	138
Active plan members	289	355
Total	764	774

Contributions

The annual required contributions for the years ended April 30, 2021 and 2020 and estimated liabilities as of May 1, 2021 and 2020 were determined as part of the actuarial valuations using the Entry Age actuarial cost method. The Medical Center intends to contribute to the Plan each year such amounts as may be required to operate the Plan on a sound actuarial basis.

Net Pension (Asset) Liability

The total pension liability was measured as of May 1, 2021 and 2020, and the total pension liability used to calculate the net pension (asset) liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the May 1, 2021 and 2020 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2021	2020
Inflation	2.50%	2.50%
Salary increases	Not applicable (Plan is frozen)	Not applicable (Plan is frozen)
Investment rate of return	6.50%	7.00%

Mortality rates were based on the Society of Actuaries ("SOA") published mortality table: Pri-2012 annuitant/non-annuitant mortality tables (sex-distinct) with no mortality improvement.

The actuarial value of assets was determined using the Market Value method and the trust information furnished by PNC Institutional Investments as of April 30, 2021 and 2020.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return
Cash	-0-	%	0.0%
Fixed income securities	40		2.5%
Domestic and foreign equities	60		6.0%
Total	100	%	

Discount Rate

The discount rate used to measure the total pension liability was 6.5 percent and 7.0 percent, respectively, as of April 30, 2021 and 2020, and is equal to the long-term expected return on plan investments. The projection cash flows used to determine the discount rate assumed that employer contributions would be made at the actuarially calculated rate computed to prevent the deterioration in the actuarial status of the trust. The future contribution assumption was based upon the review of recent Medical Center contribution history compared to the corresponding actuarially determined contributions. Based on this assumption, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Sensitivity of the Net Pension (Asset) Liability

The following presents the 2021 net pension (asset) liability of the Plan, calculated using the discount rate of 6.5 percent, as well as what the Plan's net pension (asset) liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5 percent) or 1-percentage-point higher (7.5 percent) than the current rate:

	1 % Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
Net pension (asset) liability	$ (7,257,602)	$ (11,069,787)	$ (14,261,606)

Detailed information about the Plan's fiduciary net position is available in a separately issued actuarial valuation report.

Changes in the Net Pension (Asset) Liability

The change in the net pension (asset) liability during the 2021 and 2020 Plan year was as follows:

	2021		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a) - (b)
Balances at 4/30/2020	$ 33,068,853	$ 34,401,689	$ (1,332,836)
Changes of the year:			
Service cost	-0-	-0-	-0-
Interest	2,226,588	-0-	2,226,588
Difference between expected and actual experience	22,974	-0-	22,974
Change in assumptions	1,751,590	-0-	1,751,590
Benefit payments	(2,326,994)	(2,326,994)	-0-
Employer contributions	-0-	-0-	-0-
Net investment income	-0-	13,806,323	(13,806,323)
Administrative expenses	-0-	(68,220)	68,220
Other	-0-	-0-	-0-
Net changes	1,674,158	11,411,109	(9,736,951)
Balances at 4/30/2021	$ 34,743,011	$ 45,812,798	$ (11,069,787)

	2020		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a) - (b)
Balances at 4/30/2019	$ 29,920,284	$ 39,311,805	$ (9,391,521)
Changes of the year:			
Service cost	-0-	-0-	-0-
Interest	2,301,237	-0-	2,301,237
Difference between expected and actual experience	254,455	-0-	254,455
Change in assumptions	2,724,867	-0-	2,724,867
Benefit payments	(2,131,990)	(2,131,990)	-0-
Employer contributions	-0-	-0-	-0-
Net investment income	-0-	(2,732,753)	2,732,753
Administrative expenses	-0-	(45,373)	45,373
Other	-0-	-0-	-0-
Net changes	3,148,569	(4,910,116)	8,058,685
Balances at 4/30/2020	$ 33,068,853	$ 34,401,689	$ (1,332,836)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2021 and 2020, the Medical Center recognized pension expense (gain) of $(423,978) and $1,771,771, respectively. At December 31, 2021, the Medical Center reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Balance, 4/30/2020	$ 8,510,834	$ (1,091,476)
Changes in assumptions	531,533	-0-
Liability experience gains (losses)	(81,621)	58,410
Investment gains (losses)	(1,409,521)	(8,411,775)
Balance, 4/30/2021	$ 7,551,225	$ (9,444,841)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Balance, 4/30/2019	$ 3,061,773	$ (1,929,329)
Changes in assumptions	1,906,367	-0-
Liability experience gains (losses)	155,127	58,410
Investment gains (losses)	3,387,567	779,443
Balance, 4/30/2020	$ 8,510,834	$ (1,091,476)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended April 30:	Amount
2022	$ 181,602
2023	347,306
2024	(271,989)
2025	(2,150,535)
	$ (1,893,616)

10. LONG-TERM DEBT

At December 31, 2021 and 2020, the Medical Center was obligated for long-term debt agreements as follows:

	2021	2020
Indiana Financing Authority Series 2010 Revenue Bonds dated December 2010, payable in annual principal installments commencing February 2011 through February 2022, in amounts ranging from $325,000 to $1,765,000. Serial fixed interest rates ranging from 3.00% to 5.00%. Secured by gross revenues.	$ 1,500,000	$ 3,265,000

	2021	2020
Direct borrowing Series 2020 Revenue Refunding Bonds dated November 2020, payable in annual principal installments commencing February 2021 through February 2036 in amounts ranging from $180,000 to $1,580,000. The bonds were purchased by Jackson County Bank who will hold the bonds through maturity. Early redemption of any unpaid prinipal and accrued interest is allowable subsequent to February 15, 2025. Fixed interest rate of 2.35% on $17,895,000. Secured by gross revenues.	17,715,000	17,895,000
Financing agreement with a third-party vendor for surgical equipment dated December 2021, payable in five annual installments of $282,048, including interest, commencing January 2023 through January 2027. Fixed interest rate of 3.25%. Secured by equipment (NBV of $1,300,000 as of December 31, 2021).	1,300,000	-0-
	20,515,000	21,160,000
Unamortized bond premium	2,197	28,548
Less current portion	(1,702,197)	(1,971,351)
Long-term debt, net of current portion	$ 18,815,000	$ 19,217,197

Long-term debt activity for the years ended December 31, 2021 and 2020 was as follows:

2021	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Revenue bonds, series 2010	$ 3,265,000	$ -0-	$ (1,765,000)	$ 1,500,000	$ 1,500,000
Revenue bonds, series 2020	17,895,000	-0-	(180,000)	17,715,000	200,000
Bond premiums	28,548	-0-	(26,351)	2,197	2,197
Financing agreement	-0-	1,300,000	-0-	1,300,000	-0-
Total long-term debt	$ 21,188,548	$ 1,300,000	$ (1,971,351)	$ 20,517,197	$ 1,702,197

2020	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Revenue bonds, series 2006B	$ 18,045,000	$ -0-	$ (18,045,000)	$ -0-	$ -0-
Revenue bonds, series 2010	4,945,000	-0-	(1,680,000)	3,265,000	1,765,000
Revenue bonds, series 2020	-0-	17,895,000	-0-	17,895,000	180,000
Bond premiums	54,899	-0-	(26,351)	28,548	26,351
Total long-term debt	$ 23,044,899	$ 17,895,000	$ (19,751,351)	$ 21,188,548	$ 1,971,351

Debt service requirements on long-term debt at December 31, 2021 are based on the interest rate modes in effect and are as follows:

Year Ending December 31,	Principal	Interest
2022	$ 1,700,000	$ 487,386
2023	938,402	436,637
2024	1,296,432	405,421
2025	1,339,726	371,885
2026	1,388,294	337,153
2027 - 2031	6,482,146	1,343,287
2032 - 2036	7,370,000	241,110
Total	$ 20,515,000	$ 3,622,879

The Medical Center's debt agreements contain various restrictive covenants, including covenants related to days cash on hand ratio, debt service coverage ratio, debt to capitalization ratio, and audited financial statement submission requirements. Failure to meet any of these covenants would result in all principal and accrued interest due immediately without the granting of a waiver from the debt holders. Management believes the Medical Center was in compliance with all restrictive covenants during 2021 and 2020.

11. DEFERRED COMPENSATION PLANS

The Medical Center offers its employees deferred compensation plans in accordance with Internal Revenue Code Sections 457(b), 457(f), and 403(b). The 403(b) and 457(b) plans, available to all Medical Center employees, permit them to defer a portion of their salary until future years. The 457(f) plan, available to management, is funded by discretionary contributions by the Medical Center. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The deferred compensation assets and related liabilities under these plans are reported in the consolidated statements of fiduciary net position.

In 2010, the Medical Center amended its 403(b) defined contribution plan to allow for employer discretionary and matching contributions. For the years ended December 31, 2021 and 2020, the Medical Center recognized $1,858,731 and $1,748,595, respectively, in expense related to the 403(b) plan.

12. DONOR-RESTRICTED AND NONEXPENDABLE RESTRICTED NET POSITION

Donor-restricted net position amounts are donor-restricted for a specific use or by the passage of time. Nonexpendable restricted net position amounts include a perpetual trust. Donor-restricted and nonexpendable restricted net position amounts include the following at December 31, 2021 and 2020:

	2021	2020
Donor-restricted net position		
Dr. Bud Fund	$ 807,044	$ 696,973
Medical Technology Fund	126,648	126,633
Educational/Scholarship Fund	31,802	31,199
Women's Center Fund	10,175	3,843
Cancer Fund	308,856	321,095
Hospice Fund	432,048	413,981
EPIC Fund	411,669	306,414
Employee Humanitarian Fund	5,999	10,000
Giving Tuesday 2020 Fund	33,339	57,033
Giving Tuesday 2021 Fund	161,427	-0-
Restore Hope Restore Life Fund	721,574	1,041,074
Total donor-restricted net position	$ 3,050,581	$ 3,008,245
Nonexpendable restricted net position		
Perpetual trust, held by trustee	$ 390,053	$ 360,009

Dr. Bud Fund

The Dr. Bud Fund was established to provide scholarships to area students seeking to pursue careers in healthcare. Scholarships are awarded based on the recommendations of the Dr. Bud Fund Scholarship Committee.

Medical Technology Fund

The Medical Technology Fund was established to address the rapid changes in medical technology and related increased costs to replace outdated equipment. The assets of the fund are used to purchase medical equipment.

Cancer Fund

The Cancer Fund was established to provide support for the detection/prevention of cancer.

Hospice Fund

The Hospice Fund was established to support Hospice program and patient needs.

EPIC Fund

The EPIC (Employee Partners Invested in Caring) Fund was established to receive financial support from its members for special projects and programs recommended by those members.

Giving Tuesday 2020 Fund

The Giving Tuesday 2020 Fund was established to address the Medical Center's need for additional cleaning and disinfectant supplies and equipment resulting from the Coronavirus ("COVID-19") global pandemic (the "Pandemic").

Giving Tuesday 2021 Fund

The Giving Tuesday 2021 Fund was established to support the Medical Center's addition of a level II nursey, which allows for infants born between 32 and 35 weeks gestation to receive care locally.

Restore Hope Restore Life Fund

The Restore Hope Restore Life Fund was established to support the expansion and relocation of the Medical Center's rehabilitation department, including related equipment and furnishings related to cancer patients.

Perpetual Trust, Held by Trustee

The perpetual trust, held by trustee represents a donation that is held in a separate trust account. The donation is to be held in perpetuity. The Medical Center has no control over the investment strategy of the trust, and will not receive any payments from the trust's principal. However, the Medical Center is entitled to receive 20 percent of the trust's net income each year. All of the Medical Center's portion of income earned by this trust is unrestricted and may be used at the Medical Center's Board of Trustee's discretion.

13. NET PATIENT SERVICE REVENUE

For the years ended December 31, 2021 and 2020, net patient service revenue was as follows:

	2021	2020
Gross patient service revenue		
Inpatient services	$ 92,945,915	$ 73,756,717
Outpatient services	394,841,499	354,674,141
Long-term care services	144,096,508	148,486,254
Total gross patient service revenue	631,883,922	576,917,112
Deductions from revenue		
Contractual allowances	(313,414,865)	(277,081,931)
Charity care	(1,728,343)	(6,457,674)
Bad debts	(16,444,673)	(14,019,169)
Medicaid DSH payments recognized*	2,073,881	1,439,095
Nursing homes UPL payments recognized**	23,856,836	24,435,847
Total deductions from revenue	(305,657,164)	(271,683,832)
Total net patient service revenue	$ 326,226,758	$ 305,233,280

* - Disproportionate Share (DSH)
** - Upper Payment Limit (UPL)

The Medical Center grants credit without collateral to its patients, most of whom are local residents and insured under third-party payor agreements. The mix of gross revenues and receivables from patients and third-party payors at December 31, 2021 and 2020, was as follows:

	2021		2020	
	Revenues	Receivables	Revenues	Receivables
Medicare	39 %	32 %	40 %	32 %
Medicaid	26	19	25	18
Blue Cross	18	19	18	12
SIHO*	4	3	4	4
Other third-party payors	9	13	9	13
Patients	4	14	4	21
	100 %	100 %	100 %	100 %

*Southeastern Indiana Health Organization

The Medical Center has agreements with third-party payors that provide for payments at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

- ***Medicare***. The Medical Center is a provider of services to patients entitled to coverage under Title XVIII (Medicare) of the Health Insurance Act. The Medical Center is reimbursed for Medicare inpatient services based on a fixed price per discharge for each diagnosis related grouping (DRG) and Medicare outpatient services based on a fixed price per clinical unit of service. Differences between the total program billed charges and the payments received are reflected as deductions from revenue. At the Medical Center's year end, a cost report is filed with the Medicare program computing reimbursement amounts related to Medicare patients. The difference between computed reimbursement and interim reimbursement is reflected as a receivable from or payable to the third-party program. The Medical Center's classification of patients under the Medicare program and the appropriateness of their admissions are subject to an independent review by a peer review organization under contract with the Medical Center.

- ***Medicaid***. The Medical Center is a provider of services to patients entitled to coverage under Title XIX (Medicaid) of the Health Insurance Act. The Medical Center is reimbursed for Medicaid inpatient services based on a fixed price per discharge for each diagnosis related grouping (DRG) and Medicaid outpatient services based on a fixed price per clinical unit of service. Differences between the total program billed charges and the payments received are reflected as deductions from revenue. There is no cost settlement for either of the inpatient or outpatient programs.

- ***Charity Care***. The Medical Center provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy. Because the Medical Center does not collect amounts deemed to be charity care, they are not reported as revenue. The estimated costs of providing charity services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on the Medical Center's total operating expenses divided by gross patient service revenue. For the years ended December 31, 2021 and 2020, the Medical Center incurred estimated costs of $862,635 and $3,385,711, respectively.

- ***Other***. The Medical Center has also entered into preferred provider agreements with certain commercial insurance carriers. The basis for payment to the Medical Center under these agreements includes discounts from established charges, fee schedules, as well as inpatient DRG reimbursement methodologies.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Final determination of compliance with such laws and regulations is subject to future government review and interpretation. Violations may result in significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigation and/or allegations concerning possible violations of fraud and abuse statutes and/or regulations by health care providers.

The Centers for Medicare and Medicaid Services ("CMS") has been granted authority to suspend payments, in whole or in part, to Medicare providers if CMS possess reliable information on overpayment, fraud, or if willful misrepresentation exists. If CMS suspects payments are being made as the result of fraud or misrepresentation exists, CMS may suspend payment at any time without providing prior notice to the Medical Center. The initial suspensions period is limited to 180 days. However, the payment suspension period can be extended indefinitely if the matter is under investigation by the United States Department of Health, Human Services Office of Inspector General, or the United States Department of Justice. Therefore, the Medical Center is unable to predict if or when it may be subject to a suspension of payments by the Medicare and/or Medicaid programs, the possible length of the suspension period, or the potential cash flow impact of a payment suspension. Any such suspension would adversely impact the Medical Center's financial position, results of operations, and cash flows. The Medical Center believes that it is in compliance with all applicable laws and regulations.

14. HOSPITAL ASSESSMENT FEE

The purpose of the Hospital Assessment Fee ("HAF") Program is to fund the State share of enhanced Medicaid payments and Medicaid DSH payments for Indiana hospitals as reflected in the hospital assessment fee reported in the consolidated statements of operations and changes in net position. Previously, the State share was funded by government entities through intergovernmental transfers. The Medicaid enhanced payments relate to both fee for service and managed care claims. The Medicaid enhanced payments are designed to follow the patient and result in increased Medicaid rates. The Medical Center recognized HAF program expense of $4,182,798 and $6,870,148 at December 31, 2021 and 2020, respectively. For the years ended December 31, 2021 and 2020, the Medical Center recognized revenue in net patient service revenue totaling $2,073,881 and $1,439,095, respectively, relating to the DSH adjustments.

15. NONOPERATING REVENUES (EXPENSES)

For the years ended December 31, 2021 and 2020, nonoperating revenues (expenses) were as follows:

	2021	2020
Investment income	$ 8,236,923	$ 12,259,614
Interest expense	(461,379)	(662,937)
Gain (loss) on disposal of capital assets	68,573	(35,827)
Donations	(681,392)	(362,578)
Contributions and grants	1,634,821	804,834
Change in perpetual trust	30,044	15,469
Inspire, loss	(37,432)	(44,958)
Provider relief fund revenue	15,822,122	16,599,748
Miscellaneous loss	(76,301)	(109,759)
Total nonoperating revenues (expenses)	$ 24,535,979	$ 28,463,606

16. DEFERRED REVENUES

During the Medical Center's fiscal year 2021 and 2020, Provider Relief Fund grants authorized under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act were distributed to healthcare providers impacted by the outbreak of the Pandemic under Catalog of Federal Domestic Assistance ("CFDA") #93.498. Revenues from Provider Relief Fund grants are recognized to the extent of a combination of expenses incurred to directly respond to the Pandemic, and patient revenues lost as a result of the pandemic, and are included in the consolidated statements of operations and changes in net assets as provider relief fund revenue within nonoperating revenues. Patient revenues lost represent the deficiency of net patient service revenues recognized over the period impacted by the pandemic when compared with net patient service revenues recognized over the same period in the previous year. Per the terms of the program, the applicable time period for measurement of lost revenues must be calendar year 2021 compared with calendar year 2019, as well as calendar year 2020 compared with calendar year 2019. Provider Relief Fund grants included in deferred revenues on the consolidated balance sheets represent grant funds received in excess of expenses incurred to directly respond to the Pandemic, and calculated lost revenues. These qualifying funds the Medical Center received were subject to recoupment by the grantor in the event that the conditions for recognition were not met before June 30, 2021 for phase one, and are not met before December 31, 2022 for phase four.

The passage of the CARES Act also authorized CMS to expand the Medicare Accelerated and Advance Payment Program to a broader group of Medicare Part A providers and Part B suppliers. For the acute care hospital, the Medical Center was eligible to request up to 100% of the Medicare payments amount for a six-month period, respectively. The Medical Center was issued the accelerated/advance payment in April 2020. Recoupment of the advance payment began in 2021 following a one-year deferral period. During the one-year period, Medicare claims submitted by the Medical Center will continue to be reimbursed at standard rates, after which, the recoupment process will begin and 25% of payments for submitted claims will reduce the balance of the accelerated or advance payment over an 11 month period through March 2022. Following the initial 11 month recoupment period, 50% of payments for submitted claims will be withheld to reduce the balance of the accelerated advance payments over a 6 month period through September 2022. Any outstanding balance that has not been recouped in September 2022 will be due in full from the Medical Center to CMS. The advance payment is included in deferred revenues on the consolidated balance sheets.

At December 31, 2021 and 2020, and for the years ended, payments received, revenue recognized, and refundable advances were as follows:

	December 31, 2021			
	Refundable Advances December 31, 2020	Payments Received / (Refunded)	Revenue Recognized	Refundable Advances December 31, 2021
Provider Relief Fund	$ 8,434,646	$ 7,387,476	$ (15,822,122)	$ -0-
Medicare Accelerated and Advance Payment Program	12,299,346	(7,603,553)	-0-	4,695,793
	$ 20,733,992	$ (216,077)	$ (15,822,122)	$ 4,695,793

	December 31, 2020			
	Refundable Advances December 31, 2019	Payments Received / (Refunded)	Revenue Recognized	Refundable Advances December 31, 2020
Provider Relief Fund	$ -0-	$ 25,034,394	$ (16,599,748)	$ 8,434,646
Medicare Accelerated and Advance Payment Program	-0-	12,299,346	-0-	12,299,346
	$ -0-	$ 37,333,740	$ (16,599,748)	$ 20,733,992

17. PROFESSIONAL LIABILITY INSURANCE

The Indiana Medical Malpractice Act (ACT), IC 34-18 provides for a maximum recovery of $1,800,000. The Act requires the Medical Center to maintain Medical malpractice liability insurance of $500,000 per occurrence ($10,000,000 in the annual aggregate). The Act also requires the Medical Center to pay a surcharge to the State Patient’s Compensation Fund (the “Fund”). The Fund is used to pay medical malpractice claims in excess of the per occurrence and annual aggregate amounts noted above, under certain terms and conditions. No accrual for possible losses attributable to incidents that may have occurred but that have not been identified has been made because the amount, if any, is not able to be reasonably estimated. The Fund is on a claims-made basis and as long as this coverage is continuous or replaced with equivalent insurance, claims based on occurrences during its term but reported subsequently will be insured.

The Medical Center maintains professional liability insurance through a multiprovider reciprocal risk retention group (the "Group"), in which premiums are accrued based on the Group's experience to date. As of December 31, 2021 and 2020, this provides protection from liability in amounts not to exceed as follows:

	2021	2020
Medical Center per occurrence	$ 500,000	$ 500,000
Medical Center aggregate	$ 10,000,000	$ 10,000,000
Group umbrella aggregate	$ 10,000,000	$ 10,000,000
Group first additional umbrella aggregate	10,000,000	10,000,000
Group second additional umbrella aggregate	10,000,000	10,000,000
Total Group umbrella aggregate	$ 30,000,000	$ 30,000,000

Liabilities for incurred but not reported losses at December 31, 2021 and 2020 are not determinable; however, in management's opinion, such liabilities, if any, will not have a material effect on the Medical Center's financial position and its malpractice and general liability insurance is adequate to cover losses, if any. Should the policies not be renewed or replaced with appropriate insurance coverage, claims based upon occurrences during these terms, but reported subsequently, will be uninsured. The Medical Center intends to continue carrying such insurance.

18. RELATED PARTY TRANSACTIONS

Jackson County Bank

The Medical Center's former President and Chief Executive Officer ("CEO"), who retired from the Medical Center in August, 2020, serves as a member of the Board of Directors for Jackson County Bank ("JCB"). At December 31, 2021 and 2020, and for the years then ended, the Medical Center had the following related party transactions with JCB:

	2021	2020
Deposits	n/a*	$ 114,506,513
Bonds payable	n/a*	$ 17,895,000
Interest income	n/a*	$ 406,265
Interest expense	n/a*	$ 106,918

* The former President and CEO of the Medical Center retired in August, 2020. As a result, the related party relationship no longer existed as of December 31, 2021.

Southeastern Indiana Health Organization (SIHO)

The Medical Center is a 33 percent owner of the SIHO insurance company. This investment is reported in other assets on the consolidated statements of operations and changes in net position, and is titled "investment in managed care company" in footnote 6. At December 31, 2021 and 2020, and for the years then ended, the Medical Center had the following related party transactions with SIHO:

	2021	2020
Patient accounts receivable	$ 4,732,177	$ 3,028,899
Gross patient revenue	$ 23,307,394	$ 24,045,178
Operating expenses	$ 11,710,952	$ 12,303,253

19. CONCENTRATIONS OF CREDIT RISK

The Medical Center maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. The Medical Center has not experienced any losses on such accounts. The Medical Center believes it is not exposed to any significant credit risk on cash.

20. OPERATING LEASES

The Medical Center leases certain building space and equipment under noncancelable operating leases expiring in various years through 2025. Minimum future rental payments under these noncancelable operating leases, as of December 31, 2021, are as follows:

Year Ending December 31,	Amount
2022	$ 578,623
2023	578,623
2024	439,811
2025	98,138
Total minimum payments	$ 1,695,195

The Medical Center incurred $20,229,449 and $21,780,884 in total rent expense for the years ended December 31, 2021 and 2020, respectively, under cancelable and noncancelable operating leases.

21. CONTINGENCIES

Legal

The Medical Center is susceptible to a variety of legal proceedings and claims by others against the Medical Center in a variety of matters arising out of the conduct of the Medical Center's business. The ultimate resolution of such claims would not, in the opinion of management, have a material adverse effect on the financial statements.

There may be unknown incidents arising from services provided to patients. However, because the annual insurance policy only covers claims that have been asserted and incidents reported to the insurance carrier, these unknown incidents are not yet covered by insurance. Management intends to maintain the current claims-made insurance coverage to cover any unknown incidents that may be asserted.

HIPAA

Management continues to implement policies, procedures, and a compliance-monitoring organizational structure to enforce and monitor compliance with the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") and other government statutes and regulations. The Medical Center's compliance with such laws and regulations is subject to future government review and interpretations, as well as regulatory actions which are unknown or unasserted at this time.

COVID-19

On March 11, 2020, the World Health Organization declared Coronavirus ("COVID-19") a pandemic. The continued spread of COVID-19, or any similar outbreaks in the future, may adversely impact the local, regional, national and global economies. The extent to which COVID-19 impacts the Medical Center's operating results is dependent on the breadth and duration of the pandemic and could be affected by other factors management is not currently able to predict. Potential impacts include, but are not limited to, additional costs for responding to COVID-19, shortages of healthcare personnel, shortages of clinical supplies, increased demand for services, delays, loss of, or reduction to, revenue, contributions and funding, and investment portfolio declines. Management believes the Medical Center is taking appropriate actions to respond to the pandemic, however, the full impact is unknown and cannot be reasonably estimated at the date the financial statements were issued.

22. COMMITMENTS

As of December 31, 2021, the Medical Center has construction and renovation project commitments as follows:

Project	Expected Date of Completion	Estimated Total Cost of Project	Costs Incurred as of December 31, 2021
MOB 3rd floor buildout	2022	$ 3,000,000	$ 34,000
Oncology - LINAC buildout	2022	2,400,000	364,720
3N air handler replacement	2022	270,000	104,408
SFC Scott remodel	2022	205,000	54,366
All other projects	2022	1,852,000	326,625
		$ 7,727,000	$ 884,119

23. CONDENSED FINANCIAL INFORMATION

The Medical Center includes three blended component units in its reporting entity. Condensed component unit information for all of its blended as of and for the year ended December 31, 2021 is as follows:

	HDC	Foundation	JMB	Total
Balance sheet				
Assets				
Current assets	$ 1,375,460	$ 1,308,855	$ 1,405,818	$ 4,090,133
Assets whose use is limited	-0-	3,050,581	-0-	3,050,581
Capital assets, net	465,249	-0-	3,665,724	4,130,973
Other assets	251,953	-0-	-0-	251,953
Total assets	2,092,662	4,359,436	5,071,542	11,523,640
Deferred outflows	-0-	-0-	-0-	-0-
Total assets and deferred outflows	$ 2,092,662	$ 4,359,436	$ 5,071,542	$ 11,523,640
Liabilities				
Current liabilities	$ 375,065	$ -0-	$ 1,114	$ 376,179
Long-term liabilities	-0-	-0-	-0-	-0-
Total liabilities	375,065	-0-	1,114	376,179
Net position				
Net investment in capital assets	465,249	-0-	3,665,724	4,130,973
Restricted expendable	-0-	3,050,581	-0-	3,050,581
Restricted nonexpendable	-0-	-0-	-0-	-0-
Unrestricted	1,252,348	1,308,855	1,404,704	3,965,907
Total net position	1,717,597	4,359,436	5,070,428	11,147,461
Total liabilities and net position	$ 2,092,662	$ 4,359,436	$ 5,071,542	$ 11,523,640

	HDC	Foundation	JMB	Total
Statement of operations and changes in net position				
Operating revenues				
Net patient service revenue	$ 1,762,277	$ -0-	$ -0-	$ 1,762,277
Other operating revenue	2,328,488	330,430	738,562	3,397,480
Total operating revenues	4,090,765	330,430	738,562	5,159,757
Operating expenses				
Depreciation and amortization	97,505	-0-	241,662	339,167
Other operating expenses	3,606,573	378,334	431,490	4,416,397
Total operating expenses	3,704,078	378,334	673,152	4,755,564
Income (loss) from operations	386,687	(47,904)	65,410	404,193
Nonoperating revenus (expenses)	858	309,846	-0-	310,704
Change in net position	387,545	261,942	65,410	714,897
Net position - beginning of year	1,330,052	4,097,494	5,005,018	10,432,564
Net position - end of year	$ 1,717,597	$ 4,359,436	$ 5,070,428	$ 11,147,461

	HDC	Foundation	JMB	Total
Statement of cash flows				
Cash provided by				
Operating activities	$ 493,063	$ (285,065)	$ 316,798	$ 524,796
Capital and related financing activities	-0-	-0-	(635,164)	(635,164)
Investing activities	(185,469)	198,042	-0-	12,573
Total	307,594	(87,023)	(318,366)	(97,795)
Cash - beginning of year	661,519	413,737	1,720,949	2,796,205
Cash - end of year	$ 969,113	$ 326,714	$ 1,402,583	$ 2,698,410

Condensed component unit information for all of its blended components as of and for the year ended December 31, 2020 is as follows:

	HDC	Foundation	JMB	Total
Balance sheet				
Assets				
Current assets	$ 991,475	$ 1,165,538	$ 1,734,001	$ 3,891,014
Assets whose use is limited	-0-	3,008,245	-0-	3,008,245
Capital assets, net	562,754	-0-	3,272,131	3,834,885
Other assets	137,333	-0-	-0-	137,333
Total assets	1,691,562	4,173,783	5,006,132	10,871,477
Deferred outflows	-0-	-0-	-0-	-0-
Total assets and deferred outflows	$ 1,691,562	$ 4,173,783	$ 5,006,132	$ 10,871,477
Liabilities				
Current liabilities	$ 361,510	$ 76,289	$ 1,114	$ 438,913
Long-term liabilities	-0-	-0-	-0-	-0-
Total liabilities	361,510	76,289	1,114	438,913
Net position				
Net investment in capital assets	562,754	-0-	3,272,131	3,834,885
Restricted expendable	-0-	3,008,245	-0-	3,008,245
Restricted nonexpendable	-0-	-0-	-0-	-0-
Unrestricted	767,298	1,089,249	1,732,887	3,589,434
Total net position	1,330,052	4,097,494	5,005,018	10,432,564
Total liabilities and net position	$ 1,691,562	$ 4,173,783	$ 5,006,132	$ 10,871,477

	HDC	Foundation	JMB	Total
Statement of operations and changes in net position				
Operating revenues				
Net patient service revenue	$ 1,843,495	$ -0-	$ -0-	$ 1,843,495
Other operating revenue	2,447,699	325,575	816,884	3,590,158
Total operating revenues	4,291,194	325,575	816,884	5,433,653
Operating expenses				
Depreciation and amortization	99,270	-0-	210,054	309,324
Other operating expenses	3,537,171	374,542	413,437	4,325,150
Total operating expenses	3,636,441	374,542	623,491	4,634,474
Income (loss) from operations	654,753	(48,967)	193,393	799,179
Nonoperating revenus (expenses)	48,393	554,999	-0-	603,392
Change in net position	703,146	506,032	193,393	1,402,571
Net position - beginning of year	626,906	3,591,462	4,811,625	9,029,993
Net position - end of year	$ 1,330,052	$ 4,097,494	$ 5,005,018	$ 10,432,564

	HDC	Foundation	JMB	Total
Statement of cash flows				
Cash provided by				
Operating activities	$ 206,344	$ 224,072	$ 401,172	$ 831,588
Capital and related financing activities	(11,927)	-0-	(367,118)	(379,045)
Investing activities	(51,165)	(120)	-0-	(51,285)
Total	191,040	223,952	34,054	449,046
Cash - beginning of year	470,479	189,785	1,686,895	2,347,159
Cash - end of year	$ 661,519	$ 413,737	$ 1,720,949	$ 2,796,205

24. RECENT GASB PRONOUNCEMENT

Management has not currently determined what effects, if any, the implementation of the following recently enacted statement may have on its future financial statements:

GASB Statement No. 87, *Leases*, issued June 2017, will be effective for periods beginning after June 15, 2021. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It established a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This statement will enhance the needs of financial statement users by improving accounting and financial reporting for leases by governments. In May 2020, the GASB issues GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postponed the effective date of GASB Statement No. 87, *Leases*, by 18 months. GASB Statement No. 87 will be effective for periods beginning after June 15, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

JACKSON COUNTY SCHNECK MEMORIAL HOSPITAL
AND AFFILIATED ORGANIZATIONS

REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021

SCHEDULE OF CHANGES IN THE MEDICAL CENTER'S NET PENSION (ASSET) LIABILITY AND RELATED RATIOS

	2021	2020	2019	2018	2017	2016	2015
Total pension liability							
Service cost	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-
Interest	2,226,588	2,301,237	2,283,328	2,150,623	2,127,933	2,077,981	2,056,704
Difference between expected and actual experience	22,974	254,455	(12,770)	82,553	(110,540)	216,064	(278,935)
Change in assumptions	1,751,590	2,724,867	-0-	1,321,201	40,006	39,514	38,454
Benefit payments	(2,326,994)	(2,131,990)	(1,944,408)	(1,839,340)	(1,727,210)	(1,654,220)	(1,430,850)
Net change in total pension liability	1,674,158	3,148,569	326,150	1,715,037	330,189	679,339	385,373
Total pension liability - beginning	33,068,853	29,920,284	29,594,134	27,879,097	27,548,908	26,869,569	26,484,196
Total pension liability - ending (a)	$ 34,743,011	$ 33,068,853	$ 29,920,284	$ 29,594,134	$ 27,879,097	$ 27,548,908	$ 26,869,569
Plan fiduciary net position							
Employer contributions	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-
Net transfers into (out of) trust	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Net investment income	13,806,323	(2,732,753)	1,887,878	4,124,238	5,660,569	(2,126,387)	3,223,583
Benefit payments	(2,326,994)	(2,131,990)	(1,944,408)	(1,839,340)	(1,727,210)	(1,654,220)	(1,430,850)
Administrative expenses	(68,220)	(45,373)	(100,898)	(46,265)	(104,316)	(42,455)	(67,884)
Other	-0-	-0-	(75)	(50)	(50)	-0-	(37,011)
Net change in plan fiduciary net position	11,411,109	(4,910,116)	(157,503)	2,238,583	3,828,993	(3,823,062)	1,687,838
Plan fiduciary net position - beginning	34,401,689	39,311,805	39,469,308	37,230,725	33,401,732	37,224,794	35,536,956
Plan fiduciary net position - ending (b)	$ 45,812,798	$ 34,401,689	$ 39,311,805	$ 39,469,308	$ 37,230,725	$ 33,401,732	$ 37,224,794
Medical Center net pension (asset) liability - ending (a) - (b)	$ (11,069,787)	$ (1,332,836)	$ (9,391,521)	$ (9,875,174)	$ (9,351,628)	$ (5,852,824)	$ (10,355,225)
Plan fiduciary net position as a percentage of the total net pension liability	131.86%	104.03%	131.39%	133.37%	133.54%	121.25%	138.54%
Covered payroll	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Medical Center net pension (asset) liability as a percentage of covered payroll	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

*The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Medical Center will present information for those years for which information is available.

SCHEDULE OF MEDICAL CENTER CONTRIBUTIONS

	Actuarially determined contribution	Employer contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a % of covered payroll
4/30/2021	$ -0-	$ -0-	$ -0-	Not Applicable	Not Applicable
4/30/2020	-0-	-0-	-0-	Not Applicable	Not Applicable
4/30/2019	-0-	-0-	-0-	Not Applicable	Not Applicable
4/30/2018	-0-	-0-	-0-	Not Applicable	Not Applicable
4/30/2017	-0-	-0-	-0-	Not Applicable	Not Applicable
4/30/2016	-0-	-0-	-0-	Not Applicable	Not Applicable
4/30/2015	-0-	-0-	-0-	Not Applicable	Not Applicable
4/30/2014	-0-	-0-	-0-	Not Applicable	Not Applicable
4/30/2013	-0-	-0-	-0-	Not Applicable	Not Applicable
4/30/2012	-0-	-0-	-0-	Not Applicable	Not Applicable

Notes to Schedule

Valuation date: Actuarially determined contribution rates are calculated as of May 1, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine most current contribution rate above:

Actuarial cost method	Entry Age
Amortization method	Level dollar, open
Remaining amortization method	30 years
Asset valuation method	Market value
Inflation	2.50%
Salary increases	Not applicable (Plan is frozen)
Investment rate of return	6.50%
Retirement age	65
Mortality	SOA published mortality table: Pri-2012 annuitant/non-annuitant mortality tables (sex-distinct) with no mortality improvement

CPAs / ADVISORS

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Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Jackson County Schneck Memorial Hospital
and Affiliated Organizations
Seymour, Indiana

Report on the Consolidated Financial Statements

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Jackson County Schneck Memorial Hospital (d/b/a Schneck Medical Center) and Affiliated Organizations (collectively the "Medical Center"), component units of Jackson County, which comprise the consolidated balance sheet as of December 31, 2021, and the related statements of operations and changes in net position, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated April 29, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Medical Center's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Medical Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Medical Center's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention with those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-003, that we consider to be a material weakness. We also identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Medical Center's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Medical Center's Response to Finding

The Medical Center's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Medical Center's response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Medical Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Medical Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blue & Co., LLC

Louisville, Kentucky
April 29, 2022

SIGNIFICANT DEFICIENCY

2021-001

Segregation of Duties – Cash Receipts

Criteria – The Medical Center's internal control processes should ensure that employees handling cash are not able to adjust patient accounts receivable balances.

Condition – During our audit procedures, we noted that certain cashiers have the ability to both receive patient payments and post adjustments or write-offs to patient accounts receivable balances.

Cause – The cause of this deficiency is due to the lack of internal controls related to segregation of duties.

Effect – The effect is a deficiency in the design of internal control procedures to prevent misappropriation of cash.

Recommendation – We recommend that the Medical Center review these processes to prevent employees from having the ability to both collect patient payments and adjust patient accounts receivable balances.

Management's Response – To respond to this lack of segregation of duties, the Medical Center has had in place certain mitigating internal controls, including management's review and approval of charity care write-offs and review and approval of bad debt write-offs. In addition, the majority of patient payments received are not in cash, which results in a lower risk of material misappropriation. Lastly, there are three cashiers that currently receive cash payments. Management has performed a cost benefit analysis surrounding this lack of segregation of duties, and has concluded that currently the cost of strengthening internal controls in this area outweigh the benefits.

2021-002

Segregation of Duties – Nursing Homes

Criteria – The Medical Center's internal control processes at their nursing homes should ensure proper segregation of duties.

Condition – During our audit procedures, we noted that certain nursing homes have few accounting personnel, making it difficult to have a proper segregation of duties.

Cause – The cause of this deficiency is due to the lack of personnel required to ensure proper segregation of duties over various internal control processes.

Effect – The effect is a deficiency in the design of internal control procedures to ensure proper segregation of duties.

Recommendation – We recommend that the Medical Center review these processes to ensure a design of proper segregation of duties over internal control processes at their nursing homes. We also recommend that existing internal controls be documented as performed by appropriate sign-off and dating of reviews, approvals, and processes.

Management's Response – We will perform a cost benefit analysis to determine the most cost effective way to implement proper internal controls to mitigate the risks that exist due to the lack of segregation of duties.

MATERIAL WEAKNESS

2021-003

Information Technology Risk Assessment and Intrusion Detection System

Criteria – The Medical Center should ensure that existing controls and protocols are operating effectively to prevent any outside parties from accessing its networks.

Condition – During our audit procedures, we noted that the Medical Center sustained a cyberattack.

Cause – The cause of this deficiency is due to a lack of the operating effectiveness of employee training, outsourced security functions, and/or internal controls as they relate to cybersecurity.

Effect – The effect could be another cyberattack that could disable vital systems the Medical Center requires in order to properly operate on a timely and consistent basis.

Recommendation – We recommend that the Medical Center assess cybersecurity policies, procedures, and internal controls to strengthen and reinforce existing policies, procedures, and internal controls.

Management's Response – The Medical Center acknowledges this need, and is currently enhancing systems and processes to ensure the operating effectiveness of controls intended to prevent a cyberattack of its networks.

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
DECEMBER 31, 2021

SIGNIFICANT DEFICIENCY

<u>2020-001</u>

Segregation of Duties – Cash Receipts

Condition and Criteria – During our audit procedures, we noted that certain cashiers have the ability to both receive patient payments and post adjustments or write-offs to patient accounts receivable balances. The Medical Center’s internal control processes should ensure that employees handling cash are not able to adjust patient accounts receivable balances.

Recommendation – We recommended that the Medical Center review these processes to prevent employees from having the ability to both collect patient payments and adjust patient accounts receivable balances.

Current Year Resolution – Based on the 2021 audit results, we identified a similar, repeat occurrence of this prior year finding. Therefore, we will include this matter in our 2021 findings.

<u>2020-002</u>

Segregation of Duties – Nursing Homes

Condition and Criteria – During our audit procedures, we noted that certain nursing homes had few accounting personnel, making it difficult to have a proper segregation of duties. The Medical Center’s internal control processes at their nursing homes should ensure proper segregation of duties.

Recommendation – We recommended that the Medical Center review these processes to ensure a design of proper segregation of duties over internal control processes at their nursing homes. We also recommended that existing internal controls be documented as performed by appropriate sign-off and dating of reviews, approvals, and processes.

Current Year Resolution – Based on the 2021 audit results, we identified a similar, repeat occurrence of this prior year finding. Therefore, we will include this matter in our 2021 findings.