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October 24, 2022

Board of Trustees  
Witham Health Services  
2605 North Lebanon Street  
Lebanon, IN 46052

We have reviewed the audit report of Witham Health Services which was opined on by Blue & Co., LLC, Independent Public Accountants, for the period January 1, 2021 to December 31, 2021. Per the *Report of Independent Auditors*, the financial statements included in the report present fairly the financial condition of the Witham Health Services as of December 31, 2021, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

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

A handwritten signature in black ink that reads "Tammy R. White".

Tammy R. White, CPA  
Deputy State Examiner



# **Small Hospital. Big Medicine.**

**FINANCIAL STATEMENTS**

**AND**

**REQUIRED SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2021**

*CPAs / ADVISORS*



WITHAM HEALTH SERVICES

TABLE OF CONTENTS  
DECEMBER 31, 2021

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	Page
<b>Report of Independent Auditors</b> .....	1
<b>Required Supplementary Information</b>	
Management’s Discussion and Analysis (Unaudited).....	MDA - i
<b>Financial Statements</b>	
Balance Sheets .....	4
Statements of Revenues, Expenses and Changes in Net Position.....	6
Statements of Cash Flows.....	7
Notes to Financial Statements.....	9
<b>Reporting Under <i>Government Auditing Standards</i> and the <i>Uniform Guidance</i></b>	
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 <i>Government Auditing Standards</i> .....	29
Report of Independent Auditors on Compliance for Each Major Federal Program and on Internal Control Over Compliance and Schedule of Expenditures of Federal Awards Required by the <i>Uniform Guidance</i> .....	31
Schedule of Expenditures of Federal Awards.....	34
Notes to Schedule of Expenditures of Federal Awards.....	35
Schedule of Findings and Questioned Costs .....	36

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## REPORT OF INDEPENDENT AUDITORS

Board of Trustees  
Witham Health Services  
Lebanon, Indiana

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of Witham Health Services (the Hospital), a component unit of Boone County, and the Hospital's discretely presented component unit, Witham Health Services Foundation, Inc. (the Foundation) which comprise the balance sheet as of December 31, 2021, and the related statements of revenue, expenses and changes in net position and cash flows for the year then ended and the related notes to the financial statements.

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

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 Hospital and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for twelve months beyond the financial 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 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 a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the 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 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 Hospital'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 financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital'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.

*Report on Summarized Comparative Information*

We have previously audited the Hospital's 2020 financial statements, and we expressed unmodified opinions on those audited financial statements in our report dated May 26, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects with the audited financial statements from which it has been derived.

Board of Trustees  
Witham Health Services  
Lebanon, Indiana

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic 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 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 financial statements, and other knowledge we obtained during our audit of the basic 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 July 12, 2022, on our consideration of the Hospital'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 Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

**Blue & Co., LLC**

Indianapolis, Indiana  
July 12, 2022

**REQUIRED SUPPLEMENTARY INFORMATION**

## WITHAM HEALTH SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
DECEMBER 31, 2021  
(WITH COMPARATIVE TOTALS FOR 2020 AND 2019)

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This section of Witham Health Services' (the Hospital) annual financial statements presents background information and management's discussion and analysis (MD&A) of the Hospital's financial performance during the year ended December 31, 2021 with comparative amounts for December 31, 2020 and 2019. This MD&A includes a discussion and analysis of the activities and results of the Hospital's blended component units, Medical Office Properties, LLC and Central Indiana Health Association, Inc. and its discrete component unit, Witham Health Services Foundation, Inc. (the Foundation) and should be read in conjunction with the Hospital's financial statements that follow this MD&A.

### FINANCIAL HIGHLIGHTS

- The Hospital's net position increased approximately \$24,112,000 in 2021 compared to \$21,582,000 in 2020.
- The Hospital reported operating income of approximately \$14,315,000 for 2021, representing a change of \$31,099,000 in comparison to 2020 results. An operating loss was reported for 2020 of \$16,784,000, which was a decrease of \$34,069,000 in comparison to 2019.
- Total revenues increased by approximately \$16,100,000 in 2021 compared to 2020. In 2020, total revenue decreased approximately \$3,723,000 over 2019.
- The Hospital recognized approximately \$9,797,000 in nonoperating revenue (expense) in 2021 compared to \$38,366,000 in 2020. The majority of the change between years relates to grants for coronavirus (COVID-19) pandemic funding of \$6,506,000 in 2021 compared to \$32,353,000 in 2020.
- Long-term care services generated approximately \$297,063,000 and \$288,958,000 in patient service revenue during 2021 and 2020, respectively. In 2019, long-term care services generated approximately \$314,915,000 in patient service revenue.

### USING THIS ANNUAL REPORT

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

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

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

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



## WITHAM HEALTH SERVICES

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2021 (WITH COMPARATIVE TOTALS FOR 2020 AND 2019)

#### THE BALANCE SHEET AND STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The balance sheet and the statement of revenues, expenses and changes in net position report information about the Hospital's resources and its activities. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Hospital's net position and changes in it. The Hospital's net position, the difference between assets and liabilities, is a measure the Hospital's financial health, or financial position.

#### Balance Sheets

	2021	2020	2021-2020 Change	2019	2020-2019 Change
<b>Assets</b>					
Current assets	\$ 283,082,086	\$ 263,803,789	\$ 19,278,297	\$ 205,544,643	\$ 58,259,146
Assets whose use is limited	6,525,192	14,621,093	(8,095,901)	15,466,950	(845,857)
Capital assets, net	160,168,497	158,583,866	1,584,631	151,673,620	6,910,246
Other assets	5,200,821	5,391,909	(191,088)	5,175,856	216,053
Total assets	454,976,596	442,400,657	12,575,939	377,861,069	64,539,588
<b>Deferred outflows</b>					
	835,165	939,561	(104,396)	1,043,956	(104,395)
Total assets and deferred outflows	\$ 455,811,761	\$ 443,340,218	\$ 12,471,543	\$ 378,905,025	\$ 64,435,193
<b>Liabilities</b>					
Current liabilities	\$ 139,940,385	\$ 146,100,559	\$ (6,160,174)	\$ 97,625,227	\$ 48,475,332
Long-term debt	27,186,226	32,387,664	(5,201,438)	37,483,923	(5,096,259)
Other liabilities	1,917,667	2,197,001	(279,334)	2,723,335	(526,334)
Total liabilities	169,044,278	180,685,224	(11,640,946)	137,832,485	42,852,739
<b>Net position</b>					
Net investment in capital assets	127,780,832	121,099,944	6,680,888	109,211,503	11,888,441
Restricted					
Trustee held for debt service and capital	8,521,238	16,525,868	(8,004,630)	16,731,584	(205,716)
Expendable for donor restriction	1,216,287	926,224	290,063	925,031	1,193
Total restricted	9,737,525	17,452,092	(7,714,567)	17,656,615	(204,523)
Unrestricted					
Other internal designations	2,362,667	2,642,001	(279,334)	3,176,335	(534,334)
Undesignated	146,886,459	121,460,957	25,425,502	111,028,087	10,432,870
Total unrestricted	149,249,126	124,102,958	25,146,168	114,204,422	9,898,536
Total net position	286,767,483	262,654,994	24,112,489	241,072,540	21,582,454
Total liabilities and net position	\$ 455,811,761	\$ 443,340,218	\$ 12,471,543	\$ 378,905,025	\$ 64,435,193

Total assets and deferred outflows in 2021 increased approximately \$12,472,000 over 2020 primarily due to cash increasing \$31,283,000 over 2020. Patient accounts receivable and assets whose use is limited decreased \$17,513,000 from 2020.

## WITHAM HEALTH SERVICES

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2021 (WITH COMPARATIVE TOTALS FOR 2020 AND 2019)

Total liabilities decreased approximately \$11,641,000 over 2020 mainly due to decreases in current liabilities related primarily to accounts payable and Medicare accelerated/advance payments as well as principal payments on long-term debt.

Total assets and deferred outflows in 2020 increased approximately \$64,435,000 over 2019 primarily due to cash and capital assets. Investments, patient accounts receivable, other assets, capital assets, and deferred outflows increased in total by \$16,112,000 over 2019, while cash and assets whose use is limited increased by \$33,153,000 over 2019.

Total liabilities increased approximately \$42,853,000 over 2019 mainly due to increases in current liabilities related primarily to accounts payable, accrued salaries and related liabilities and Medicare accelerated/advance payments which were partially offset by principal payments on long-term debt.

#### Statements of Revenues, Expenses and Changes in Net Position

	2021	2020	2021-2020 Change	2019	2020-2019 Change
<b>Revenues</b>					
Net patient service revenue	\$ 458,634,311	\$ 439,318,416	\$ 19,315,895	\$ 449,788,680	\$ (10,470,264)
Other operating revenue	8,882,395	12,101,302	(3,218,907)	5,354,398	6,746,904
Total revenues	467,516,706	451,419,718	16,096,988	455,143,078	(3,723,360)
<b>Expenses</b>					
Salaries and benefits	93,138,012	90,689,138	2,448,874	87,413,985	3,275,153
Supplies	81,151,245	86,875,089	(5,723,844)	88,818,987	(1,943,898)
Depreciation	11,086,006	10,976,092	109,914	9,068,269	1,907,823
Other operating expenses	267,826,323	279,663,366	(11,837,043)	252,557,297	27,106,069
Total expenses	453,201,586	468,203,685	(15,002,099)	437,858,538	30,345,147
Operating income (loss)	14,315,120	(16,783,967)	31,099,087	17,284,540	(34,068,507)
<b>Nonoperating revenue (expense), net</b>	9,797,369	38,366,421	(28,569,052)	7,909,300	30,457,121
Change in net position	24,112,489	21,582,454	2,530,035	25,193,840	(3,611,386)
<b>Net position</b>					
Beginning of year	262,654,994	241,072,540	21,582,454	215,878,700	25,193,840
End of year	\$ 286,767,483	\$ 262,654,994	\$ 24,112,489	\$ 241,072,540	\$ 21,582,454

The main component of the overall change in 2021 for the Hospital's net position is operating income. In 2020, the Hospital reported an operating loss of approximately \$16,784,000 compared to an operating income in 2021 of \$14,315,000, which is a change of \$31,099,000 from 2020. The main reason relates to increases in operating revenues of \$16,097,000 and decreases in operating expenses of \$15,002,000 as 2020 expenses were higher due to COVID-19.

## WITHAM HEALTH SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
DECEMBER 31, 2021  
(WITH COMPARATIVE TOTALS FOR 2020 AND 2019)

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Nonoperating revenue (expense) consists primarily of investment return, interest expense, Foundation revenue and expenses, and COVID-19 grant funds. The nonoperating items changed from a net revenue of approximately \$38,366,000 in 2020 to \$9,797,000 in 2021. The decrease of \$28,569,000 is primarily due to a decrease in funding received during 2021 distributed to healthcare providers impacted by the outbreak of COVID-19.

Operating loss in 2020 was approximately \$34,069,000 less than 2019. The primary reason for the change in operating loss relates increases in operating expenses of \$30,345,000 incurred in response to COVID-19 and a decrease in operating revenues of \$3,723,000.

### STATEMENT OF CASH FLOWS

The final required statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, noncapital and capital and related financing, and investing activities. Operating activities generated cash and cash equivalents of approximately \$45,670,000 in 2021. Noncapital financing activities generated cash of \$7,216,000 in 2021 due to governmental funds received for expenses incurred in response to COVID-19. Capital and related financing activities used cash of \$18,585,000 in 2021. Two significant components of capital and related financing activities include cash used to purchase capital assets of \$12,672,000 and cash paid for principal and interest of \$6,031,000 in 2021. Investing activities reduced cash by \$9,908,000 in 2021 mainly due to classification changes between investments and cash equivalents.

	2021	2020	2021-2020 Change	2019	2020-2019 Change
Cash flows from					
Operating	\$ 45,669,658	\$ 36,997,715	\$ 8,671,943	\$ 44,052,355	\$ (7,054,640)
Noncapital financing	7,216,427	35,948,285	(28,731,858)	-0-	35,948,285
Capital and related financing	(18,585,312)	(22,979,460)	4,394,148	(31,880,472)	8,901,012
Investing	(9,908,418)	(16,340,544)	6,432,126	(11,341,637)	(4,998,907)
Change in cash and cash equivalents	<u>\$ 24,392,355</u>	<u>\$ 33,625,996</u>	<u>\$ (9,233,641)</u>	<u>\$ 830,246</u>	<u>\$ 32,795,750</u>

In 2020, cash and cash equivalents increased approximately \$33,626,000. In 2019, cash and cash equivalents increased \$830,000. The primary difference related to the change in noncapital financing of \$35,948,000 mainly due to governmental funds received for expenses incurred in response to COVID-19.

### SOURCES OF REVENUE

During 2021, the Hospital derived substantially all of its revenue from patient service and other related activities. A significant portion of the patient service revenue is from patients that are insured by government health programs, principally Medicare and Medicaid, which are highly regulated and subject to frequent and substantial changes. Revenues from the Medicare and Medicaid programs represented 65% of the Hospital's gross revenues in 2021, and 63% in 2020 and 2019.

## WITHAM HEALTH SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
DECEMBER 31, 2021  
(WITH COMPARATIVE TOTALS FOR 2020 AND 2019)

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Following is a table of major sources of gross patient revenues for 2021, 2020 and 2019:

	2021	2020	2019
Medicare	49%	48%	48%
Medicaid	16%	15%	15%
Commercial	32%	34%	32%
Self Pay	3%	3%	5%
	<u>100%</u>	<u>100%</u>	<u>100%</u>

### CAPITAL ASSETS

As of December 31, 2021, the Hospital had approximately \$160,168,000 invested in capital assets, net of accumulated depreciation, as detailed below.

	2021	2020	2021-2020 Change	2019	2020-2019 Change
Land and improvements	\$ 21,618,624	\$ 19,567,615	\$ 2,051,009	\$ 17,368,889	\$ 2,198,726
Buildings and improvements	149,147,389	141,263,212	7,884,177	99,943,054	41,320,158
Equipment	106,414,469	100,519,797	5,894,672	91,560,306	8,959,491
Construction in progress	528,467	3,704,163	(3,175,696)	38,310,413	(34,606,250)
Total property and equipment	277,708,949	265,054,787	12,654,162	247,182,662	17,872,125
Accumulated depreciation	(117,540,452)	(106,470,921)	(11,069,531)	(95,509,042)	(10,961,879)
Capital assets, net	<u>\$ 160,168,497</u>	<u>\$ 158,583,866</u>	<u>\$ 1,584,631</u>	<u>\$ 151,673,620</u>	<u>\$ 6,910,246</u>

Net capital assets increased by approximately \$1,585,000 in 2021 compared to 2020 as current year additions outpaced depreciation expense. The change between 2020 and 2019 was \$6,910,000 as 2020 additions outpaced depreciation expense. More detailed information about the Hospital's capital assets is presented in the notes to the financial statements.

### DEBT

The Hospital's debt consists of revenue bonds and loans payable. There were no new borrowings or significant changes in long-term debt during 2021, 2020 and 2019. More detailed information about the Hospital's long-term debt is presented in the notes to the financial statements.

### ECONOMIC OUTLOOK

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

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## **WITHAM HEALTH SERVICES**

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
DECEMBER 31, 2021  
(WITH COMPARATIVE TOTALS FOR 2020 AND 2019)

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Management believes that the health care industry's and the Hospital's operating margins will continue to be under pressure due to a variety of factors including, but not limited to, COVID-19, uncertainty regarding health care reform, changes in payor and service mix, and growth in operating expenses that are in excess of the increases in contractually arranged and legally established payments received for services rendered. In addition, the adoption of high-deductible health plans by employers continues to occur and patients are increasingly being held responsible for more of the cost of health care. Consequently, the health care marketplace has been increasingly more competitive. The ongoing challenge facing the Hospital is to continue to provide quality patient care in this competitive environment, and to attain reasonable rates for the services that are provided while managing costs. The most significant factor affecting the Hospital is finding the balance in maintaining and controlling labor costs in the face of pressures on volume and pricing for its services in this increasingly competitive, retail-like environment.

### **CONTACTING THE HOSPITAL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide patients, suppliers, taxpayers, and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact the Hospital Controller's Office, at PO Box 1200, Lebanon, IN, 46052.

## WITHAM HEALTH SERVICES

### BALANCE SHEETS DECEMBER 31, 2021 (WITH COMPARATIVE TOTALS FOR 2020)

	2021		2020	
	Total Hospital	Foundation	Total reporting entity	Total reporting entity
<b>ASSETS AND DEFERRED OUTFLOWS</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 125,567,957	\$ 2,906,275	\$ 128,474,232	\$ 97,191,521
Investments	71,349,556	3,004,057	74,353,613	71,251,107
Patient accounts receivable, less allowance for uncollectible accounts of \$13,272,000 in 2021 and \$13,321,000 in 2020	54,481,874	-0-	54,481,874	64,000,830
Other receivables	16,104,693	-0-	16,104,693	21,327,920
Inventory and other current assets	4,043,862	48,812	4,092,674	4,559,411
Current portion of assets whose use is limited	5,575,000	-0-	5,575,000	5,473,000
Total current assets	277,122,942	5,959,144	283,082,086	263,803,789
<b>Assets whose use is limited</b>				
Held by trustee for debt service and capital	8,521,238	-0-	8,521,238	16,525,868
Other board designated	2,362,667	-0-	2,362,667	2,642,001
Donor restricted	-0-	1,216,287	1,216,287	926,224
Total assets whose use is limited	10,883,905	1,216,287	12,100,192	20,094,093
Current portion	(5,575,000)	-0-	(5,575,000)	(5,473,000)
Noncurrent assets whose use is limited	5,308,905	1,216,287	6,525,192	14,621,093
<b>Capital assets</b>				
Land and improvements	21,618,624	-0-	21,618,624	19,567,615
Depreciable capital assets	255,561,858	-0-	255,561,858	241,783,009
Construction in progress	528,467	-0-	528,467	3,704,163
Total	277,708,949	-0-	277,708,949	265,054,787
Accumulated depreciation	(117,540,452)	-0-	(117,540,452)	(106,470,921)
Capital assets, net	160,168,497	-0-	160,168,497	158,583,866
<b>Other assets</b>				
Investment in affiliates and other	2,907,407	-0-	2,907,407	3,171,600
Other	2,293,414	-0-	2,293,414	2,220,309
Total other assets	5,200,821	-0-	5,200,821	5,391,909
Total assets	447,801,165	7,175,431	454,976,596	442,400,657
<b>Deferred outflows</b>				
Total assets and deferred outflows	\$ 448,636,330	\$ 7,175,431	\$ 455,811,761	\$ 443,340,218

See accompanying notes to financial statements.

## WITHAM HEALTH SERVICES

### BALANCE SHEETS DECEMBER 31, 2021 (WITH COMPARATIVE TOTALS FOR 2020)

	2021		2020	
	Total Hospital	Foundation	Total reporting entity	Total reporting entity
<b>LIABILITIES AND NET POSITION</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 46,637,949	\$ -0-	\$ 46,637,949	\$ 54,847,570
Accrued salaries and related liabilities	65,932,990	-0-	65,932,990	66,349,671
Accrued expenses and other current liabilities	9,771,836	10,002	9,781,838	3,668,129
Medicare accelerated/advance payments	7,631,135	-0-	7,631,135	12,094,102
Deferred liabilities- COVID-19	4,305,034	-0-	4,305,034	3,594,829
Estimated third-party settlements	450,000	-0-	450,000	450,000
Current portion of long-term debt				
Loans payable	71,439	-0-	71,439	68,258
Revenue bonds payable	5,130,000	-0-	5,130,000	5,028,000
Total current liabilities	139,930,383	10,002	139,940,385	146,100,559
<b>Long-term debt, net of current portion</b>				
Loans payable	12,226	-0-	12,226	83,664
Revenue bonds payable	27,174,000	-0-	27,174,000	32,304,000
Total long-term debt	27,186,226	-0-	27,186,226	32,387,664
<b>Other liabilities</b>				
Total liabilities	1,917,667	-0-	1,917,667	2,197,001
<b>Net position</b>				
Net investment in capital assets	127,780,832	-0-	127,780,832	121,099,944
Restricted				
Trustee held for debt service and capital	8,521,238	-0-	8,521,238	16,525,868
Expendable for donor restriction	-0-	1,216,287	1,216,287	926,224
Total restricted	8,521,238	1,216,287	9,737,525	17,452,092
Unrestricted				
Other internal designations	2,362,667	-0-	2,362,667	2,642,001
Undesignated	140,937,317	5,949,142	146,886,459	121,460,957
Total unrestricted	143,299,984	5,949,142	149,249,126	124,102,958
Total net position	279,602,054	7,165,429	286,767,483	262,654,994
Total liabilities and net position	\$ 448,636,330	\$ 7,175,431	\$ 455,811,761	\$ 443,340,218

See accompanying notes to financial statements.

## WITHAM HEALTH SERVICES

### STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION YEAR ENDED DECEMBER 31, 2021 (WITH COMPARATIVE TOTALS FOR 2020)

	2021		2020	
	Total Hospital	Foundation	Total reporting entity	Total reporting entity
<b>Operating revenues</b>				
Net patient service revenue	\$ 458,634,311	\$ -0-	\$ 458,634,311	\$ 439,318,416
Other operating revenue	8,882,395	-0-	8,882,395	12,101,302
Total operating revenues	467,516,706	-0-	467,516,706	451,419,718
<b>Operating expenses</b>				
Salaries and wages	69,984,726	-0-	69,984,726	69,391,575
Employee benefits	23,153,286	-0-	23,153,286	21,297,563
Professional medical fees	9,317,120	-0-	9,317,120	6,664,437
Purchased services	190,982,023	-0-	190,982,023	199,598,364
Supplies	81,151,245	-0-	81,151,245	86,875,089
Repairs and maintenance	6,337,960	-0-	6,337,960	5,014,585
Equipment and facility rental	46,441,802	-0-	46,441,802	47,962,144
Utilities	8,409,560	-0-	8,409,560	8,508,580
Depreciation	11,086,006	-0-	11,086,006	10,976,092
Insurance	1,707,734	-0-	1,707,734	1,716,395
HAF and HIP programs	2,163,527	-0-	2,163,527	8,125,542
Other expenses	2,466,597	-0-	2,466,597	2,073,319
Total operating expenses	453,201,586	-0-	453,201,586	468,203,685
Operating income (loss)	14,315,120	-0-	14,315,120	(16,783,967)
<b>Nonoperating revenue (expense)</b>				
Investment return	2,734,348	517,527	3,251,875	6,275,582
Interest expense	(879,955)	-0-	(879,955)	(734,633)
Foundation revenue	-0-	382,542	382,542	500,912
Foundation expense	-0-	(165,380)	(165,380)	(466,848)
Gain on investment in affiliates	777,158	-0-	777,158	537,306
COVID-19 grant funds	6,506,222	-0-	6,506,222	32,353,456
Other nonoperating revenue (expense)	(75,093)	-0-	(75,093)	(99,354)
Total nonoperating revenue (expense), net	9,062,680	734,689	9,797,369	38,366,421
Change in net position	23,377,800	734,689	24,112,489	21,582,454
<b>Net position</b>				
Beginning of year	256,224,254	6,430,740	262,654,994	241,072,540
End of year	\$ 279,602,054	\$ 7,165,429	\$ 286,767,483	\$ 262,654,994

See accompanying notes to financial statements.



## WITHAM HEALTH SERVICES

### STATEMENTS OF CASH FLOWS YEAR ENDED DECEMBER 31, 2021 (WITH COMPARATIVE TOTALS FOR 2020)

	2021		2020	
	Total Hospital	Foundation	Total reporting entity	Total reporting entity
<b>Operating activities</b>				
Cash received from patient services	\$ 473,679,480	\$ -0-	\$ 473,679,480	\$ 456,171,477
Cash paid for salaries, wages and benefits	(93,554,693)	-0-	(93,554,693)	(70,744,244)
Cash paid to vendors and suppliers	(343,291,224)	-0-	(343,291,224)	(360,094,272)
Other receipts (disbursements), net	8,882,395	(46,300)	8,836,095	11,664,754
Net cash flows from operating activities	45,715,958	(46,300)	45,669,658	36,997,715
<b>Noncapital financing activities</b>				
COVID-19 grant funds	7,216,427	-0-	7,216,427	35,948,285
<b>Capital and related financing activities</b>				
Acquisition and construction of capital assets	(12,554,241)	-0-	(12,554,241)	(17,213,032)
Cash paid for interest on long-term debt	(934,814)	-0-	(934,814)	(788,233)
Principal payments on long-term debt	(5,096,257)	-0-	(5,096,257)	(4,978,195)
Net cash flows from capital and related financing activities	(18,585,312)	-0-	(18,585,312)	(22,979,460)
<b>Investing activities</b>				
Investment return	2,734,348	517,527	3,251,875	6,275,582
Purchase of investments	(16,838,541)	(318,729)	(17,157,270)	(26,374,554)
Proceeds from sale of investments	3,205,266	14,553	3,219,819	3,221,122
Cash from investments in affiliates, net	777,158	-0-	777,158	537,306
Net cash flows from investing activities	(10,121,769)	213,351	(9,908,418)	(16,340,544)
Net change in cash and cash equivalents	24,225,304	167,051	24,392,355	33,625,996
<b>Cash and cash equivalents</b>				
Beginning of year	114,180,318	3,955,511	118,135,829	84,509,833
End of year	<u>\$ 138,405,622</u>	<u>\$ 4,122,562</u>	<u>\$ 142,528,184</u>	<u>\$ 118,135,829</u>
<b>Reconciliation of cash and cash equivalents to the balance sheets</b>				
Cash and cash equivalents				
Included in current assets	\$ 125,567,957	\$ 2,906,275	\$ 128,474,232	\$ 97,191,521
In investments	1,953,760	-0-	1,953,760	850,215
In assets whose use is limited - held by trustee	8,521,238	-0-	8,521,238	16,525,868
In assets whose use is limited - designated	2,362,667	-0-	2,362,667	2,642,001
In assets whose use is limited - donor restricted	-0-	1,216,287	1,216,287	926,224
Total cash and cash equivalents	<u>\$ 138,405,622</u>	<u>\$ 4,122,562</u>	<u>\$ 142,528,184</u>	<u>\$ 118,135,829</u>

See accompanying notes to financial statements.

## WITHAM HEALTH SERVICES

### STATEMENTS OF CASH FLOWS YEAR ENDED DECEMBER 31, 2021 (WITH COMPARATIVE TOTALS FOR 2020)

	2021		2020	
	Total Hospital	Foundation	Total reporting entity	Total reporting entity
<b>Reconciliation of operating income (loss) to net cash flows from operating activities</b>				
Operating income (loss)	\$ 14,315,120	\$ -0-	\$ 14,315,120	\$ (16,783,967)
Adjustment to reconcile operating income (loss) to net cash flows from operating activities				
Depreciation	11,086,006	-0-	11,086,006	10,976,092
Provision for bad debts	9,989,180	-0-	9,989,180	12,273,980
Changes in operating assets and liabilities				
Patient accounts receivable	11,682,483	-0-	11,682,483	1,625,521
Other receivables	5,223,227	-0-	5,223,227	(13,882,787)
Inventory and other current assets	454,215	12,522	466,737	(778,858)
Accounts payable	(8,327,156)	-0-	(8,327,156)	13,089,140
Accrued salaries and related liabilities	(416,681)	-0-	(416,681)	19,944,894
Accrued expenses and other current liabilities	6,172,531	(58,822)	6,113,709	(545,402)
Medicare accelerated/advance payments	(4,462,967)	-0-	(4,462,967)	12,094,102
Estimated third-party settlements	-0-	-0-	-0-	(1,015,000)
Net cash flows from operating activities	<u>\$ 45,715,958</u>	<u>\$ (46,300)</u>	<u>\$ 45,669,658</u>	<u>\$ 36,997,715</u>
<b>Noncash capital and related financing activities</b>				
Capital asset acquisitions in accounts payable	\$ 117,535	\$ -0-	\$ 117,535	\$ 689,705

See accompanying notes to financial statements.

## WITHAM HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021  
(WITH COMPARATIVE TOTALS FOR 2020)

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### 1. SIGNIFICANT ACCOUNTING POLICIES

#### Organization and Reporting Entity

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

In 2000, the Board of County Commissioners of Boone County, upon written request of the Hospital Board of Trustees, created the Boone County Hospital Association (the Association) pursuant to the provisions of IC 16-22-6 for the exclusive purpose of financing and constructing hospital facilities for the Hospital.

For financial reporting purposes, the Hospital's reporting entity consists of the primary government and component unit organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete, and they are financially accountable to the primary government.

The financial statements include certain prior year summarized comparative information in total but not by discrete component unit. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Hospital's financial statements as of December 31, 2020 and for the year ended, from which the summarized information was derived.

#### Blended Component Units

Blended component units, although legally separate entities are in substance part of the government's operations and exist solely to provide services for the government; data from these units is included with data of the primary government. The Hospital appoints a voting majority of the Medical Office Properties, LLC (MOP, LLC) and Central Indiana Health Association, Inc. (CIHA) boards and is able to impose its will and a financial benefit/burden relationship exists between the Hospital and MOP, LLC and CIHA. Although they are legally separate from the Hospital, MOP, LLC and CIHA are reported as if they were part of the Hospital because the boards are substantively the same and they provide services entirely or almost entirely to the Hospital. The Hospital is 100% owner of MOP, LLC and is the sole corporate member of CIHA. Thus, there is no non-controlling interest that is required to be disclosed.

The Association is a blended component unit within the Hospital's activities for financial reporting purposes. All significant transactions between the Hospital, MOP, LLC and CIHA and the Association have been eliminated for financial reporting purposes.

## WITHAM HEALTH SERVICES

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 (WITH COMPARATIVE TOTALS FOR 2020)

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#### Discrete Component Units

Discretely presented component units are involved in activities of an operational nature independent from the government; their transactions are reported in a separate column in the financial statements to emphasize they are legally separate from the primary government. They are financially accountable to the primary government, or have relationships with the primary government such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Witham Health Services Foundation, Inc. (the Foundation) is considered a discrete component unit for reporting purposes.

#### Long-Term Care Services

The Hospital owns the operations of various long-term care facilities through arrangements with multiple managers (the managers) of the long-term care 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 and legal responsibility for the operation of the facilities.

The Hospital entered into lease agreements with the long-term care facilities, collectively referred to as the Lessors, to lease the facilities managed by the managers. Concurrently, the Hospital entered into agreements with the managers to manage the above leased facilities. As part of the agreements, the Hospital pays the managers a management fee to manage the facilities on behalf of the Hospital in accordance with the terms of the agreements. The agreements expire at various times through March 2027. All parties involved can terminate the agreements without cause with 90 days written notice.

#### Use of Estimates

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

#### Measurement Focus and Basis of Accounting

The 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 related to cash flows.

#### Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents include all demand deposits and investments in highly liquid debt instruments with an original maturity date of three months when purchased.

## WITHAM HEALTH SERVICES

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 (WITH COMPARATIVE TOTALS FOR 2020)

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#### Investments

Nonparticipating certificates of deposit, demand deposits and similar negotiable instruments that are not reported as cash and cash equivalents are reported as investments at contract value. Debt securities are defined as securities backed by the full faith and credit of the United States Treasury or fully insured or guaranteed by the United States or a United States Government Agency. Debt securities are reported at fair value. Mutual funds are reported at fair value based on the fund's market price. Other investments are generally reported at fair value. Investment income, including changes in the fair value of investments, is reported as non-operating income in the statements of revenues, expenses and changes in net position.

#### Patient Accounts Receivable and Net Patient Service Revenue

The Hospital provides services to patients who reside primarily in the local geographic region. Patient accounts receivable and patient service revenues are recorded when patient services are performed and are reported based on gross charges, net of certain deductions from those charges. The Hospital is a provider of services to patients entitled to coverage under Titles XVIII and XIX of the Health Insurance Act (Medicare and Medicaid). The Hospital is reimbursed for Medicare and Medicaid inpatient services based on a fixed price per discharge for each diagnosis related grouping. The Hospital is reimbursed for Medicare 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.

At the Hospital'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. These programs have audited the year-end cost report filed with the Medicare program through December 31, 2017.

Amounts for unresolved cost reports are reflected in estimated third-party settlements on the balance sheets. The change in net patient service revenue in the statements of revenues, expenses and changes in net position, due to differences between original estimates and subsequent revisions for the final settlement of cost reports were not significant for 2021 and 2020. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. Although these audits may result in some changes in these amounts, they are not expected to have a material effect on the accompanying financial statements.

Management estimates an allowance for uncollectible patient accounts receivable based on an evaluation of historical losses, current economic conditions, and other factors unique to the Hospital's customer base.

#### Charity Care and Assistance to the Uninsured

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not collect amounts deemed to be charity care, they are not reported as revenue. Rather, charges approved for charity are posted to gross revenue and subsequently written off as a charity adjustment before the resulting net practice revenue. The charity care charges foregone during 2021 and 2020 were approximately \$2,431,000 and \$2,812,000, respectively. The Hospital did not change its charity care policy during 2021 and 2020.

## WITHAM HEALTH SERVICES

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 (WITH COMPARATIVE TOTALS FOR 2020)

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Of the Hospital's total expenses reported, an estimated \$756,000 and \$946,000 arose from providing services to charity patients during 2021 and 2020, respectively. The estimated costs of providing charity services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on the Hospital's total expenses, which includes interest expense and excludes Hospital Assessment Fee Program expense, to gross patient service revenue. The Hospital has a policy with discounted rates similar to contractual payors for uninsured patients.

#### Other Receivables

Other receivables consist mainly of amounts due for reimbursement for long-term care services and are classified as current as they are expected to be received during 2022.

#### Inventory and Other Current Assets

Inventory is valued at the lower of cost or market with cost being determined on the first-in, first-out (FIFO) method. Inventory at year-end consists mainly of pharmaceuticals and medical supplies. Other current assets consist of prepaid expenses and various other current items. These assets are classified as current as they are expected to be utilized during 2022.

#### Assets Whose Use is Limited

Assets whose use is limited are stated at fair value in the financial statements. These assets include investments designated by the Hospital Board for internal purposes, investments held by trustees for debt service and capital improvements and assets that are donor restricted. These investments consist primarily of cash and cash equivalents, money market mutual funds, certificates of deposit, and mutual funds. Investment interest, dividends, gains and losses, both realized and unrealized are included in nonoperating revenue (expense) in the statements of revenues, expenses and changes in net position.

#### Capital Assets and Depreciation

Capital assets such as property and equipment are stated at cost and include expenditures for new additions and other costs added to existing facilities which exceed \$1,000 and which meet certain useful life thresholds. Maintenance, repairs and minor renewals are expensed as incurred. The Hospital provides for depreciation of property and equipment using annual rates, which are sufficient to depreciate the cost of depreciable assets over their estimated useful lives using the straight-line method. The range of useful lives in computing depreciation is as follows:

<u>Description</u>	<u>Range of Useful Lives</u>
Land improvements	5 to 20 years
Buildings and improvements	10 to 40 years
Fixed equipment	10 to 40 years
Major moveable equipment	3 to 15 years
Minor equipment	3 to 15 years

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## WITHAM HEALTH SERVICES

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 (WITH COMPARATIVE TOTALS FOR 2020)

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#### Deferred Outflows - Loss on Bond Refunding

Deferred outflows of resources represent a consumption of net position that applies to future periods and is recognized as an outflow of resources (expense/expenditure) over a period of time specific to the event which created the deferred outflow. During 2017, the Hospital recorded a loss on bond refunding of its Series 2010 Bonds of approximately \$1,253,000 which is amortized through 2029 as a component of interest expense.

#### Other Long-Term Liabilities

Other long-term liabilities consist of obligations and commitments related to community supported programs and activities. The commitments expire at various times through 2026.

#### Net Position

Net position of the Hospital is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted includes net position held by trustee for debt service requirements and capital or donor restrictions. Unrestricted net position includes designated for capital improvements and undesignated net position that does not meet the definition of invested in capital assets net of related debt or restricted.

#### Statements of Revenues, Expenses and Changes in Net Position

The Hospital's statements of revenues, expenses and changes in net position distinguish between operating and nonoperating revenue and expense. 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 or incidental transactions such as investment activities are reported as nonoperating revenue and expense.

#### Restricted Resources

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

#### Grants and Contributions

From time to time, the reporting entity receives grants and contributions from governmental agencies, individuals and private organizations. Revenues from grants and contributions are recognized when all requirements are met. Grants may be restricted for either specific operation purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue. Grants are recognized to the extent that the Hospital meets the terms and conditions of the grant. To the extent the Hospital has not met the terms and conditions of the grant, amounts are recorded as deferred liabilities within the balance sheets.

## WITHAM HEALTH SERVICES

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 (WITH COMPARATIVE TOTALS FOR 2020)

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#### Federal or State Income Taxes

The Hospital is a governmental instrumentality organized under Title 16, Article 12, of the Indiana statutes. The Hospital is generally exempt from federal income tax under Section 115 of the Internal Revenue Code (IRC) of 1986. As a governmental entity under Section 115 of the IRC, the Hospital is not required to file Federal Form 990 – Return of Organization Exempt from Income Tax, which is an informational return only.

The Association is a governmental instrumentality organized under IC 16-22-6 and is exempt from Federal income tax under Section 115 of the Internal Revenue. As such, the Association is generally exempt from income taxes and is not required to file Federal Form 990 – Return of Organization Exempt from Income Tax.

The Foundation and CIHA are tax-exempt organizations under section 501(c)(3). As such, they are generally exempt from income taxes. However, they are required to file Federal Form 990 – Return of Organization from Income Tax.

MOP, LLC is organized as a limited liability company, whereby net taxable income is taxed directly to the members and not the entity. Thus, the financial statements do not include any provision for Federal or state income taxes.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Hospital (and its affiliates) and recognize a tax liability if the Hospital has taken an uncertain position that more likely than not would not be sustained upon examination by various Federal and state taxing authorities. Management has analyzed the tax positions taken by the Hospital 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. The Hospital is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

These entities have filed their Federal and state income tax returns for periods through December 31, 2020. These income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

#### Compensated Absences

The Hospital's employees earn time off at varying rates depending on years of service under separate policies for sick, vacation and personal leaves. The estimated amount of unused time off is reported as a liability in the financial statements.

#### Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settlements, if any, did not exceed coverage for any of the past three fiscal years.



## WITHAM HEALTH SERVICES

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 (WITH COMPARATIVE TOTALS FOR 2020)

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#### Medical Malpractice

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

The Hospital is a member in a captive insurance company, Suburban Health Organization Segregated Portfolio Company, LLC, to fund the Hospital's required portion of the professional and physician insurance coverage pursuant to the Act as well as its general liability insurance and excess coverage. In addition, the Hospital maintains a commercial umbrella/excess liability policy with a limit of \$1,000,000 each occurrence, \$1,000,000 fire legal liability, \$1,000,000 personal and advertising injury, and a \$3,000,000 total policy aggregate. No claims have been settled during the past three years that have exceeded policy coverage limits. The cost of this insurance policy represents the Hospital's cost for such claims for the year, and it has been charged to operations as a current expense.

Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Hospital's claim experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

#### Litigation

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

#### Advertising

The Hospital's policy is to expense advertising costs when the advertising first takes place. Advertising expense was approximately \$39,000 and \$47,000 for 2021 and 2020, respectively.

#### Reclassifications

Certain summarized amounts in the 2020 total column have been reclassified to conform with the 2021 presentation. There was no change in previously reported net position or change in net position in 2020 related to these reclassifications.

## WITHAM HEALTH SERVICES

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 (WITH COMPARATIVE TOTALS FOR 2020)

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#### Subsequent Events

The Hospital evaluated events or transactions occurring subsequent to balance sheet date for recognition and disclosure in the accompanying financial statements through the date the financial statements were available to be issued which was July 12, 2022.

#### Upcoming Accounting Pronouncements

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*, which requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. In May 2020, the GASB issued 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. The Hospital is presently evaluating the impact of this standard on its future financial statements.

#### Change in Accounting Principle

Effective January 1, 2021, the Hospital implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which requires interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period is no longer included in the historical cost of a capital asset reported in the financial statements. This statement was adopted prospectively and had no significant impact on Hospital's financial statements.

## **2. NET PATIENT SERVICE REVENUE**

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

A summary of the reimbursement arrangements with major third-party payors is as follows:

#### Medicare

Medicare inpatient services are reimbursed based on a predetermined amount for each case based on the diagnosis associated with the patient (Prospective Payment Hospital). These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The prospectively determined rates are not subject to retroactive adjustment. The Hospital's classification of patients under the Prospective Payment Hospital and the appropriateness of patient admissions are subject to validation reviews by the Medicare peer review organization, which is under contract with the Hospital to perform such reviews. Medicare outpatient services are primarily reimbursed on predetermined rates based on the services provided.

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## WITHAM HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021  
(WITH COMPARATIVE TOTALS FOR 2020)

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### Medicaid and Hospital Assessment Fee and Healthy Indiana Plan Programs

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

The Hospital participates in the State of Indiana's Hospital Assessment Fee (HAF) Program. The purpose of HAF is to fund the State share of enhanced Medicaid payments and Medicaid Disproportionate Share (DSH) payments for Indiana hospitals as reflected in the HAF and HIP programs expense reported in the statements of revenues, expenses and changes in net position. The Medicaid enhanced payments relate to both fee for service and managed care claims. The Medicaid enhanced payments are designed to follow the patients and result in increased Medicaid rates. Hospitals also fund the Healthy Indiana Plan (HIP) Program, the State's Medicaid expansion program. The payments related to HIP mirror the Medicaid payments under HAF, but the funding includes physician, state administration, and certain non-hospital expenditures. During 2021 and 2020, the Hospital recognized HAF and HIP programs expense of approximately \$2,164,000 and \$8,126,000, respectively, which resulted in increased Medicaid reimbursement. HAF and HIP assessments are included in the statements of revenues, expenses and changes in net position as operating expenses. The Medicaid rate increases under HAF and HIP are included in patient service revenue in the statements of revenues, expenses and changes in net position.

As a governmental entity, the Hospital is also eligible for the Indiana Medicaid Supplemental programs including Medicaid DSH and Municipal Upper Payment Limit programs. The Hospital recognized reimbursement from these programs within net patient revenue of approximately \$1,824,000 and \$1,724,000 during 2021 and 2020, respectively. These programs are administered by the State of Indiana but rely on Federal funding.

### Other Payors

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

The following is a summary of net patient service revenue for 2021 and 2020:

	2021	2020
Inpatient routine services	\$ 26,819,464	\$ 26,368,455
Inpatient ancillary services	70,952,641	65,548,925
Outpatient ancillary services	425,484,831	371,643,963
Long-term care	278,034,585	288,957,513
Gross patient service revenue	801,291,521	752,518,856
Contractual allowances	(330,236,842)	(298,114,528)
Charity care	(2,431,188)	(2,811,932)
Provision for bad debts	(9,989,180)	(12,273,980)
Deductions from revenue	(342,657,210)	(313,200,440)
Net patient service revenue	<u>\$ 458,634,311</u>	<u>\$ 439,318,416</u>

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## WITHAM HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021  
(WITH COMPARATIVE TOTALS FOR 2020)

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### 3. INVESTMENTS

Investments are primarily recorded at fair value (money market deposits and certificates of deposit recorded at contract value) and consist of the following as of December 31:

	2021	2020
Cash and cash equivalents	\$ 1,953,760	\$ 850,215
Certificates of deposit	1,060,384	2,122,468
Mutual funds	71,339,469	68,278,424
	<u>\$ 74,353,613</u>	<u>\$ 71,251,107</u>

### 4. ASSETS WHOSE USE IS LIMITED

Held by trustee for debt service and capital – Amounts deposited with a trustee and limited to use in accordance with the requirements of a trust indenture and funds from long-term debt borrowings to be expended for debt service and capital.

Other internally designated – Amounts designated internally for various special purpose projects.

Donor restricted – Amounts designated by donor restrictions to support Hospital programs.

Assets whose use is limited that are required for obligations classified as current liabilities are reported in current assets. The composition of assets whose use is limited includes the following as of December 31:

	2021	2020
Held by trustee for debt service and capital		
Cash and cash equivalents	\$ 8,521,238	\$ 16,525,868
Other internally designated		
Cash and cash equivalents	2,362,667	2,642,001
Donor restricted		
Cash and cash equivalents	1,216,287	926,224
Total assets whose use is limited	<u>\$ 12,100,192</u>	<u>\$ 20,094,093</u>

### 5. DEPOSITS AND INVESTMENTS

Deposits with financial institutions in the State of Indiana at year-end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

## WITHAM HEALTH SERVICES

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 (WITH COMPARATIVE TOTALS FOR 2020)

Investments are carried at fair value except for certificates of deposit and money market deposit funds which are carried at contract 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 Hospital had the following investments and maturities, all of which were held in the Hospital's name by custodial banks that are agents of the Hospital:

		December 31, 2021				
		Investment Maturities (in years)				
	Carrying Amount	Less than 1	1-5	6-10	More than 10	
Certificates of deposit	\$ 1,060,384	\$ 1,060,384	\$ -0-	\$ -0-	\$ -0-	
Mutual funds	71,339,469	71,339,469	-0-	-0-	-0-	
	\$ 72,399,853	\$ 72,399,853	\$ -0-	\$ -0-	\$ -0-	
		December 31, 2020				
		Investment Maturities (in years)				
	Carrying Amount	Less than 1	1-5	6-10	More than 10	
Certificates of deposit	\$ 2,122,468	\$ 1,052,213	\$ 1,070,255	\$ -0-	\$ -0-	
Mutual funds	68,278,424	68,278,424	-0-	-0-	-0-	
	\$ 70,400,892	\$ 69,330,637	\$ 1,070,255	\$ -0-	\$ -0-	

Interest rate risk – The Hospital does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

Credit risk – Statutes authorize the Hospital to invest in interest bearing deposit accounts, passbook savings accounts, certificates of deposit, money market deposit accounts, mutual funds, pooled fund investments, securities backed by the full faith and credit of the United States Treasury and repurchase agreements. The statutes require that repurchase agreements be fully collateralized by US Government or US Government Agency obligations.

Concentration of credit risk – The Hospital maintains its investments, which at times may exceed federally insured limits. The Hospital has not experienced any losses in such accounts. The Hospital believes that it is not exposed to any significant credit risk on investments.

## WITHAM HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021  
(WITH COMPARATIVE TOTALS FOR 2020)

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Deposits and investments consist of the following as of December 31:

	2021	2020
Carrying amount		
Deposits	\$ 142,528,184	\$ 118,135,829
Investments	72,399,853	70,400,892
	<u>\$ 214,928,037</u>	<u>\$ 188,536,721</u>
Included in the balance sheets		
Cash and cash equivalents	\$ 128,474,232	\$ 97,191,521
Investments	74,353,613	71,251,107
Held by trustee	8,521,238	16,525,868
Designated	2,362,667	2,642,001
Donor restricted	1,216,287	926,224
	<u>\$ 214,928,037</u>	<u>\$ 188,536,721</u>

### 6. FAIR VALUE MEASUREMENTS

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

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Hospital 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 as of December 31, 2021 and 2020.

- *Money market mutual funds*: Valued based at the 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 securities.

## WITHAM HEALTH SERVICES

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 (WITH COMPARATIVE TOTALS FOR 2020)

- *Mutual funds*: Valued at the daily closing price as reported by the fund. Mutual funds held by the Hospital are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price.

The following table sets forth by level, within the hierarchy, the Hospital's assets and liabilities measured at fair value on a recurring basis as of December 31, 2021 and 2020.

	December 31, 2021			
	Total	Level 1	Level 2	Level 3
Assets				
Investments				
Mutual funds				
Blend	\$ 15,000,077	\$ 15,000,077	\$ -0-	\$ -0-
Intermediate-term bond	53,157,439	53,157,439	-0-	-0-
Other	3,181,953	3,181,953	-0-	-0-
Total mutual funds	71,339,469	\$ 71,339,469	\$ -0-	\$ -0-
Cash and cash equivalents	1,953,760			
Certificates of deposit	1,060,384			
Total investments	\$ 74,353,613			
Assets whose use is limited				
Cash and cash equivalents				
Money market mutual funds	\$ 8,521,238	\$ -0-	\$ 8,521,238	\$ -0-
Cash	3,578,954			
Total assets whose use is limited	\$ 12,100,192			
December 31, 2020				
	Total	Level 1	Level 2	Level 3
Assets				
Investments				
Mutual funds				
Blend	\$ 10,653,718	\$ 10,653,718	\$ -0-	\$ -0-
Intermediate-term bond	50,593,640	50,593,640	-0-	-0-
Other	7,031,066	7,031,066	-0-	-0-
Total mutual funds	68,278,424	\$ 68,278,424	\$ -0-	\$ -0-
Cash and cash equivalents	850,215			
Certificates of deposit	2,122,468			
Total investments	\$ 71,251,107			
Assets whose use is limited				
Cash and cash equivalents				
Money market mutual funds	\$ 16,525,868	\$ -0-	\$ 16,525,868	\$ -0-
Cash	3,568,225			
Total assets whose use is limited	\$ 20,094,093			

## WITHAM HEALTH SERVICES

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 (WITH COMPARATIVE TOTALS FOR 2020)

Realized gains and losses included in earnings are reported in the statements of revenues, expenses and changes in net position as a component of investment return. Differences between market value and cost of investments are classified as unrealized gains or losses. Unrealized gains or losses are included in earnings for the period attributable to the change in unrealized gains relating to assets held as of December 31, 2021 and 2020 and are reported in the statements of revenues, expenses and changes in net position as a component of investment return.

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

#### 7. CAPITAL ASSETS

A summary of property and equipment for 2021 and 2020 follow:

	December 31,				December 31,
	2020	Additions	Disposals	Transfers	2021
Land and improvements	\$ 19,567,615	\$ 2,051,009	\$ -0-	\$ -0-	\$ 21,618,624
Buildings and improvements	141,263,212	4,032,746	-0-	3,851,431	149,147,389
Equipment	100,519,797	5,912,286	(17,614)	-0-	106,414,469
Construction in progress	3,704,163	675,735	-0-	(3,851,431)	528,467
Total capital assets	265,054,787	12,671,776	(17,614)	-0-	277,708,949
Accumulated depreciation					
Land improvements	(2,909,895)	(36,615)	-0-	-0-	(2,946,510)
Buildings and improvements	(35,984,989)	(3,751,266)	-0-	-0-	(39,736,255)
Equipment	(67,576,037)	(7,298,125)	16,475	-0-	(74,857,687)
Total accumulated depreciation	(106,470,921)	(11,086,006)	16,475	-0-	(117,540,452)
Capital assets, net	\$ 158,583,866	\$ 1,585,770	\$ (1,139)	\$ -0-	\$ 160,168,497

  

	December 31,				December 31,
	2019	Additions	Disposals	Transfers	2020
Land and improvements	\$ 17,368,889	\$ 2,198,726	\$ -0-	\$ -0-	\$ 19,567,615
Buildings and improvements	99,943,054	560,959	-0-	40,759,199	141,263,212
Equipment	91,560,306	3,586,460	(30,612)	5,403,643	100,519,797
Construction in progress	38,310,413	11,556,592	-0-	(46,162,842)	3,704,163
Total capital assets	247,182,662	17,902,737	(30,612)	-0-	265,054,787
Accumulated depreciation					
Land improvements	(2,844,668)	(65,227)	-0-	-0-	(2,909,895)
Buildings and improvements	(32,300,177)	(3,684,812)	-0-	-0-	(35,984,989)
Equipment	(60,364,197)	(7,226,053)	14,213	-0-	(67,576,037)
Total accumulated depreciation	(95,509,042)	(10,976,092)	14,213	-0-	(106,470,921)
Capital assets, net	\$ 151,673,620	\$ 6,926,645	\$ (16,399)	\$ -0-	\$ 158,583,866

As of December 31, 2021, the Hospital did not have any significant construction commitments for future projects.



## WITHAM HEALTH SERVICES

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 (WITH COMPARATIVE TOTALS FOR 2020)

#### 8. LONG TERM DEBT

A summary of long-term debt for 2021 and 2020 is as follows:

	December 31, 2020	Additional Borrowings	Payments	December 31, 2021	Current Portion
Direct borrowings/placements					
2015 Revenue bonds	\$ 14,232,000	\$ -0-	\$ 2,823,000	\$ 11,409,000	\$ 2,880,000
2017 Revenue bonds	23,100,000	-0-	2,205,000	20,895,000	2,250,000
Loans payable	151,922	-0-	68,257	83,665	71,439
	\$ 37,483,922	\$ -0-	\$ 5,096,257	\$ 32,387,665	\$ 5,201,439
	December 31, 2019	Additional Borrowings	Payments	December 31, 2020	Current Portion
Direct borrowings/placements					
2015 Revenue bonds	\$ 16,995,000	\$ -0-	\$ 2,763,000	\$ 14,232,000	\$ 2,823,000
2017 Revenue bonds	25,250,000	-0-	2,150,000	23,100,000	2,205,000
Loans payable	217,117	-0-	65,195	151,922	68,258
	\$ 42,462,117	\$ -0-	\$ 4,978,195	\$ 37,483,922	\$ 5,096,258

In September 2015, the Hospital issued the 2015 Revenue Bonds in the amount of \$27,083,000 through the Association. The Hospital, the Association and Commerce Bank (Commerce) entered into a Bond Purchase Agreement whereby Commerce purchased from the Association all of the 2015 Revenue Bonds in a private placement. The 2015 Revenue Bonds are due in semiannual installments through 2025 ranging from \$855,000 to \$1,526,000, with a fixed interest rate of 2.0667%. The 2015 Revenue Bonds are secured by the Hospital's net revenues. Commerce agreed to hold the 2015 Revenue Bonds through the maturity date in 2025.

In December 2017, the Hospital issued the 2017 Revenue Bonds in the amount of \$28,340,000 through the Association. The Hospital, the Association and BMO Harris Bank (BMO) entered into a Bond Purchase Agreement whereby BMO purchased from the Association all of the 2017 Revenue Bonds in a private placement. The 2017 Revenue Bonds are due in semiannual installments through 2030 ranging from \$990,000 to \$1,335,000, with a fixed interest rate of 2.330%. The 2017 Revenue Bonds are secured by the Hospital's net revenues. BMO agreed to hold the 2017 Revenue bonds through the maturity date in 2030.

The proceeds from the 2017 Revenue Bonds were used to refund the 2010 Revenue Bonds which resulted in a loss on defeasance of approximately \$1,253,000 during 2017. The loss on defeasance is included in deferred outflows as of December 31, 2021 and 2020 at approximately \$835,000 and \$940,000, respectively, and will be amortized as a component of interest expense of \$104,000 annually through 2030.

Loans payable with local financial institution, due in monthly installments at a fixed interest rate of 4.50%, due through 2023, secured by property with net book value of approximately \$1,300,000 and \$1,500,000 as of December 31, 2021 and 2020, respectively.

Certain long-term debt agreements require the Hospital to maintain certain financial ratios. As of December 31, 2021 and 2020, the Hospital believed it was in compliance with the ratios.

## WITHAM HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021  
(WITH COMPARATIVE TOTALS FOR 2020)

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Scheduled principal and interest repayments on long-term debt and payments on loans payable for the years succeeding December 31, 2021 are as follows:

Year Ending December 31,	Direct Borrowings/Placements		
	Principal	Interest	Total
2022	\$ 5,201,439	\$ 697,402	\$ 5,898,841
2023	5,259,226	582,299	5,841,525
2024	5,368,000	467,072	5,835,072
2025	4,999,000	349,273	5,348,273
2026	2,470,000	255,019	2,725,019
2027-2030	9,090,000	428,079	9,518,079
	<u>\$ 32,387,665</u>	<u>\$ 2,779,144</u>	<u>\$ 35,166,809</u>

### 9. OPERATING LEASES

Leases that do not meet the criteria for capitalization are classified as operating leases with related rentals charged to operating expenses as incurred. Equipment and facility rental expense for leases for 2021 and 2020 approximated \$2,247,000 and \$2,558,000, respectively. For 2022, there are no significant minimum non-cancelable annual lease payments.

Rent expense for facilities and equipment under the long-term care leases discussed in Note 1 was approximately \$44,195,000 and \$45,404,000 for 2021 and 2020, respectively. Annual rent expense for the next five years will approximate \$44,000,000 under these leases.

### 10. PENSION PLAN

#### Plan Description

The Hospital has a defined contribution pension plan named Witham Health Services Contribution Plan (the Plan) as authorized by IC 16-22-3-11. The Plan provides retirement, disability and death benefits to plan members and beneficiaries who meet the eligibility requirements for age and hours worked. The Plan was established by written agreement between the Hospital Board of Trustees and Transamerica Retirement Solutions (the Plan Administrator). The Plan Administrator issues a publicly available financial report that includes financial statements and required supplementary information of the Plan. The report is available by contacting the Hospital's accounting department.

#### Funding Policy

The contribution requirements of Plan members are established by the written agreement between the Hospital Board of Trustees and the Plan Administrator. There are two parts to the Plan, the Money Purchase Base Contribution and the Matching Contribution. Plan members are not required to contribute to the Money Purchase Base Contribution portion of the Plan. The Hospital contributes either 2% or 3% based on the number of years of service for this portion of the Plan. Plan members may contribute to the Matching Contribution portion of the Plan up to the maximum allowed by the Internal Revenue Service. The Hospital matches up to either 3% or 4% of the employee's annual salary based on years of service and employee contributions. Pension expense was approximately \$3,058,000 and \$3,045,000 for 2021 and 2020, respectively.

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## WITHAM HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021  
(WITH COMPARATIVE TOTALS FOR 2020)

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### 11. INVESTMENTS IN AFFILIATED COMPANIES

Investments in organizations where the Hospital's ownership percentage is equal to or less than 50% are included in investment in affiliates on the balance sheets and approximated \$2,907,000 and \$3,172,000 as of December 31, 2021 and 2020, respectively. The Hospital's significant investment in affiliates includes a 33% interest in Witham St. Vincent Cancer Institute, LLC at \$468,000 and \$365,000 as of December 31, 2021 and 2020, respectively. Also, the Hospital has a 20% interest in its captive insurance company, Suburban Health Organization at \$2,440,000 and \$2,663,000 as of December 31, 2021 and 2020, respectively. The remaining investments in affiliates are not significant to the financial statements

### 12. CONCENTRATION OF CREDIT RISK

The Hospital's main campus is located in Lebanon, Indiana and serves Lebanon and the surrounding communities. The Hospital grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The mix of receivables and revenues from patients and third-party payors as of December 31, 2021 and 2020 and for the years ended was as follows:

	Receivables		Revenues	
	2020	2019	2020	2019
Medicare	21%	20%	48%	48%
Medicaid	9%	15%	15%	15%
Commercial	54%	49%	34%	32%
Self-Pay and other	16%	16%	3%	5%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Under the long-term care leases, the Hospital recorded expenses related to purchased services from the managers of the facilities of approximately \$179,242,000 and \$190,283,000 during 2021 and 2020, respectively. Amounts due to the managers, included in current liabilities, as of December 31, 2021 and 2020 were \$99,378,000 and \$102,785,000 respectively.

### 13. RISK MANAGEMENT

The Hospital is self-funded for medical and related health benefits provided to employees and their families. A third-party administrator has been retained to process and present all benefit claims to the Hospital for payment. Under a stop/loss agreement, the Hospital is responsible for the funding of all claims and related administrative costs up to \$300,000 per individual per policy year. There is no aggregate limit for the Plan under the stop loss agreement.

Claim expenditures and liabilities of the fund 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. Self-funded health insurance and related expenses were approximately \$11,024,000 and \$9,607,000 in 2021 and 2020, respectively.

## WITHAM HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021  
(WITH COMPARATIVE TOTALS FOR 2020)

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Changes in health claim liabilities for 2021 and 2020 are as follows:

	2021	2020
Unpaid claims, beginning of year	\$ 1,787,795	\$ 1,754,417
Incurred claims and changes in estimates	11,023,898	9,606,982
Claim payments	(10,926,364)	(9,573,604)
Unpaid claims, end of year	<u>\$ 1,885,329</u>	<u>\$ 1,787,795</u>

### 14. COVID-19 AND RELATED SUPPORT

In March 2020, the World Health Organization declared 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 Hospital's operating results is dependent on the breadth and duration of the pandemic and could be affected by other factors management is not currently able to predict. Potential impacts include, but are not limited to, additional costs for responding to COVID-19, shortages of healthcare personnel, shortages of clinical supplies, increased demand for services, delays, loss of, or reduction to, revenue and investment portfolio declines. Management believes the Hospital is taking appropriate actions to respond to the pandemic, however, the full impact is unknown and cannot be reasonably estimated at the date the financial statements were available to be issued.

Provider Relief Funds (PRF) authorized under the American Rescue Plan (ARP) and Coronavirus Aid, Relief, and Economic Security (CARES) Act were distributed to healthcare providers impacted by the outbreak of the COVID-19 pandemic. During 2021 and 2020, the Hospital received approximately \$7,216,000 and \$35,948,000, respectively, of these funds from ARP and CARES. PRF amounts are recognized to the extent the Hospital meets the terms and conditions. The Hospital recognized PRF of \$6,506,000 and \$32,353,000 during 2021 and 2020, respectively, as COVID-19 grant funds within nonoperating revenue (expenses), net in the statements of revenues, expenses and changes in net position for 2020. The Hospital deferred PRF of \$4,305,000 and \$3,595,000 as of December 31, 2021 and 2020, respectively, which are included in deferred liabilities – COVID-19 in current liabilities on the balance sheets.

The CARES Act also allowed health care providers to request accelerated and advanced payments for Medicare services. During 2020, the Hospital received approximately \$12,094,000 of accelerated and advanced Medicare payments under this CARES Act provision. Settlement of these funds began during 2021. The outstanding balances of \$7,631,000 and \$12,094,000 are included within current liabilities on the balances sheets as of December 31, 2021 and 2020, respectively.

Compliance with the terms and conditions may also be subject to future government review and interpretation as they are emerging and uncertain at the time the financial statements were available to be issued. There can be no assurance that regulatory authorities will not challenge the Hospital's compliance with the terms and conditions, and it is not possible to determine the impact (if any) such claims would have upon the Hospital.

## WITHAM HEALTH SERVICES

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 (WITH COMPARATIVE TOTALS FOR 2020)

#### 15. BLENDED COMPONENT UNITS

The Hospital's financial statements include the accounts of its blended component units, MOP, LLC and CIHA as of and for the years ended December 31, 2021 and 2020. While the Association is also a blended component unit of the Hospital, it was created pursuant to the provisions of IC 16-22-6 for the exclusive purpose of financing and constructing hospital facilities for the Hospital. As such, its financial position and related activities are not significant. For separate financial information related to the blended component units MOP, LLC and CIHA, contact the Hospital Controller's Office, at PO Box 1200, Lebanon, IN, 46052.

	2021		2020	
	MOP, LLC	CIHA	MOP, LLC	CIHA
<b>Balance sheet</b>				
Assets				
Current assets	\$ 539,952	\$ 77,134,627	\$ 1,477,719	\$ 66,505,930
Capital assets	2,884,170	11,394,647	2,968,648	11,437,211
Other assets	-0-	2,070,081	-0-	10,340,409
Total assets	<u>\$ 3,424,122</u>	<u>\$ 90,599,355</u>	<u>\$ 4,446,367</u>	<u>\$ 88,283,550</u>
Liabilities				
Current liabilities	\$ 895	\$ 487,564	\$ 365	\$ 460,536
Due to Hospital	-0-	478,106	-0-	349,252
Other liabilities	-0-	1,917,667	-0-	2,197,001
Total liabilities	<u>895</u>	<u>2,883,337</u>	<u>365</u>	<u>3,006,789</u>
Net position	<u>3,423,227</u>	<u>87,716,018</u>	<u>4,446,002</u>	<u>85,276,761</u>
Total liabilities and net position	<u>\$ 3,424,122</u>	<u>\$ 90,599,355</u>	<u>\$ 4,446,367</u>	<u>\$ 88,283,550</u>
<b>Statement of revenue, expenses and changes in net position</b>				
Revenues	\$ 740,489	\$ 188,173	\$ 783,442	\$ 229,519
Expenses				
Depreciation	204,383	42,565	214,586	49,649
Other expenses	424,949	907,436	377,125	856,726
Total expenses	<u>629,332</u>	<u>950,001</u>	<u>591,711</u>	<u>906,375</u>
Operating income (loss)	111,157	(761,828)	191,731	(676,856)
Nonoperating	<u>-0-</u>	<u>2,601,085</u>	<u>-0-</u>	<u>5,697,401</u>
Excess revenue over expenses	111,157	1,839,257	191,731	5,020,545
Transfers (to) from Hospital	<u>(1,133,932)</u>	<u>600,000</u>	<u>-0-</u>	<u>1,100,000</u>
Change in net position	(1,022,775)	2,439,257	191,731	6,120,545
Net position				
Beginning of year	<u>4,446,002</u>	<u>85,276,761</u>	<u>4,254,271</u>	<u>79,156,216</u>
End of year	<u>\$ 3,423,227</u>	<u>\$ 87,716,018</u>	<u>\$ 4,446,002</u>	<u>\$ 85,276,761</u>

## WITHAM HEALTH SERVICES

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021  
(WITH COMPARATIVE TOTALS FOR 2020)

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	2021		2020	
	MOP, LLC	CIHA	MOP, LLC	CIHA
<b>Statement of cash flows</b>				
Cash provided by (used in)				
Operating activities	\$ 315,262	\$ 50,159	\$ 329,846	\$ 203,804
Capital and related financing activities	(1,253,836)	-0-	(19,734)	-0-
Investing activities	-0-	8,000,000	-0-	-0-
Total change	(938,574)	8,050,159	310,112	203,804
Cash equivalents				
Beginning of year	1,344,569	245,710	1,034,457	41,906
End of year	<u>\$ 405,995</u>	<u>\$ 8,295,869</u>	<u>\$ 1,344,569</u>	<u>\$ 245,710</u>



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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  
Witham Health Services  
Lebanon, Indiana

Report on the Financial Statements

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Witham Health Services (the Hospital), a component unit of Boone County, which comprise the balance sheet as of December 31, 2021, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 12, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital'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 Hospital'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 by those charged with governance.

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

Board of Trustees  
Witham Health Services  
Lebanon, Indiana

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 Hospital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**Blue & Co., LLC**

Indianapolis, Indiana  
July 12, 2022





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**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
 AND ON INTERNAL CONTROL OVER COMPLIANCE AND SCHEDULE OF EXPENDITURES OF FEDERAL  
 AWARDS REQUIRED BY THE *UNIFORM GUIDANCE***

Board of Trustees  
 Witham Health Services  
 Lebanon, Indiana

Report on Compliance for Each Major Federal Program

*Opinion on Each Major Federal Program*

We have audited Witham Health Services' (Hospital) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Hospital's major federal programs for the year ended December 31, 2021. The Hospital's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Hospital complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

*Basis for Opinion on Each Major Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Our responsibilities under those standards and the *Uniform Guidance* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Hospital and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the Hospital's compliance with the compliance requirements referred to above.

*Responsibilities of Management for Compliance*

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Hospital's federal programs.

### *Auditor's Responsibilities for the Audit of Compliance*

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Hospital's compliance based on our audit. 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, *Government Auditing Standards*, and the *Uniform Guidance* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the Hospital's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Hospital's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Hospital's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### Report on Internal Control Over Compliance

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

Board of Trustees  
Witham Health Services  
Lebanon, Indiana

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements the *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the *Uniform Guidance*

We have audited the financial statements of the Hospital as of and for the year ended December 31, 2021 and have issued our report thereon dated July 12, 2022, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by the *Uniform Guidance*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

**Blue & Co., LLC**

Indianapolis, Indiana  
September 28, 2022

**WITHAM HEALTH SERVICES**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2021

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Grantor/Program	Grant ID #	CFDA Number	Federal Expenditures
<b>Major program</b>			
U.S. Department of Health and Human Services COVID-19 - Provider Relief Fund	N/A	93.498	\$ 34,357,132
<b>Non-major program</b>			
U.S. Department of Health and Human Services COVID-19 - Uninsured COVID Testing and Treatment	N/A	93.461	<u>119,078</u>
Total federal expenditures			<u><u>\$ 34,476,210</u></u>

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See report on schedule of expenditures of federal awards as required by the *Uniform Guidance* on page 33.

See notes to schedule of expenditures of federal awards.

## WITHAM HEALTH SERVICES

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS DECEMBER 31, 2021

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#### **1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Witham Health Services (the Hospital) under programs of the federal government for the year ended December 31, 2021 and is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the *Uniform Guidance*). Because the Schedule presents only a selected portion of the operations of the Hospital, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Hospital.

#### **2. SUMMARY OF SIGNIFICANT POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Hospital has elected not to use the 10% de minimis indirect cost rate as allowed under the *Uniform Guidance*.

#### **3. PASS-THROUGH FUNDS TO SUB-RECIPIENTS**

During 2021, the Hospital did not pass-through funds to sub-recipients.

#### **4. COVID-19 FEDERAL GRANTS**

During 2021 and 2020, the Hospital received COVID-19 grants from the American Rescue Plan (ARP) and the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Under terms and conditions of ARP and CARES, the Hospital is required to report COVID-19 related expenses and lost revenue to the U.S. Department of Health and Human Services (HHS). Guidance from HHS has required the reporting of the COVID-19 related expenses and lost revenue in certain reporting periods based on when the funds were received.

HHS requires PRF amounts received prior to December 31, 2020, and expended through December 31, 2021, to be reported on the 2021 Schedule rather than the 2020 Schedule. As such, the Hospital received and expended approximately \$34,357,000 in PRF prior to December 31, 2020 and reported in the 2021 Schedule. PRF funds received and expended during 2021 will be reported on the 2022 Schedule.

#### **5. FAIR MARKET VALUE OF DONATED PERSONAL PROTECTIVE EQUIPMENT (UNAUDITED)**

During 2021, the Hospital did not receive donated personal protective equipment from federal sources.

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See report on schedule of expenditures of federal awards as required by the *Uniform Guidance* on page 33.

**WITHAM HEALTH SERVICES**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2021**

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**Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?     yes   x   none reported

Significant deficiency(ies) identified that are not considered to be material weakness(es)?     yes   x   none reported

Noncompliance material to financial statements noted?     yes   x   none reported

*Federal Awards*

Internal controls over major programs:

Material weakness(es) identified?     yes   x   none reported

Significant deficiency(ies) identified that are not considered to be material weakness(es)?     yes   x   none noted

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported as defined by Uniform Guidance [2 CFR 200.516(a)]?     yes   x   no

Identification of major program:

<u>CFDA Numbers</u>	<u>Name of Federal Programs or Clusters</u>
93.498	U.S. Department of Health and Human Services COVID-19 - Provider Relief Fund

Dollar threshold used to distinguish between type A and B programs: \$ 1,034,286

Auditee qualified as low-risk auditee?     yes   x   no

**Section II – Findings related to financial statements reported in accordance with Government Auditing Standards:**

No matters reported

**Section III – Findings and questioned costs relating to Federal awards:**

No matters reported

**Section IV – Summary schedule of prior audit findings:**

Not applicable