



MEMORIAL HOSPITAL OF LOGANSPORT

FINANCIAL STATEMENTS

AND

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2023 AND 2022

CPAs / ADVISORS



MEMORIAL HOSPITAL OF LOGANSPORT

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REPORT OF INDEPENDENT AUDITORS

Board of Trustees
Memorial Hospital of Logansport
Logansport, Indiana

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of Memorial Hospital of Logansport (the Hospital), a component unit of Cass County, which comprise the statements of net position as of December 31, 2023 and 2022, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years 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 financial position of the Hospital as of December 31, 2023 and 2022, and the results of its operations, changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As described in Note 2 to the financial statements, the Hospital adopted Governmental Accounting Standards Board Statement No. 96 – *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 substantial likelihood that, individually or in the aggregate, they would influence the judgment 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 judgment 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.

Board of Trustees
Memorial Hospital of Logansport
Logansport, Indiana

- Conclude whether, in our judgment, 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 Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, 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 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 financial statements, and other knowledge we obtained during our audits of the 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 September 23, 2024 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 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 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.

Sincerely,

Blue & Co., LLC

Indianapolis, Indiana
September 23, 2024

MEMORIAL HOSPITAL OF LOGANSPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2023 AND 2022 (WITH COMPARATIVE TOTALS FOR 2021)

Management's discussion and analysis of Memorial Hospital of Logansport's (the Hospital) financial performance provides an overview of the Hospital's financial activities for the year ended December 31, 2023 with comparable information for 2022 and 2021. Please read it in conjunction with the Hospital's financial statements and accompanying notes to financial statements included in this report.

USING THIS ANNUAL REPORT

This annual report consists of two parts — *management's discussion and analysis*, and the *basic financial statements*.

- In the "*management's discussion and analysis*" section of this report, management discusses various components of the annual report and provides an analysis of the current financial statement information.
- The "*basic financial statements*" section of this report includes a series of financial statements, which provide information about the activities of the Hospital as a whole. The statements of net position reveal the assets, liabilities and net position of the Hospital on December 31, 2023 and 2022 while the statements of revenues, expenses, and changes in net position summarize the revenues and expenses, including nonoperating items for the years then ended. The statements of cash flows summarize the change in cash and cash equivalents as a result of operating, investing, and financing activities during the years. The notes to financial statements disclose additional information addressed within the body of the financial statements.

The Hospital is a not-for-profit acute care hospital, established in 1925. It is a county-owned facility and operates under the Indiana County Hospital Law. Operations include a state-licensed, 83 bed acute care medical center offering a full range of inpatient and outpatient medical services including 24-hour emergency care, surgical, specialty, medical imaging, cancer, family birth centers and physician clinics. The Cass County commissioners appoint the board of trustees of the Hospital. Although the Hospital is a governmental entity, the Hospital does not receive taxpayer support for operations.

The mission of the Hospital is to "serve as the region's partner in both wellness and treatment." The Hospital's vision is that it "will be the preferred choice of patients, employees, and providers in north central Indiana." Logansport Memorial Hospital lives this mission and vision by continually striving to improve the delivery of care and the overall health of the community by creating and fostering strong partnerships both within the Hospital campus and the surrounding communities. The Hospital also focuses on improving internal processes to better the patient, physician, employee, and visitor experience while providing excellent care. The Hospital carries out its mission by focusing on its values as follows:

MEMORIAL HOSPITAL OF LOGANSPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2023 AND 2022 (WITH COMPARATIVE TOTALS FOR 2021)

- Human Dignity
- Integrity
- Justice
- Service Excellence
- Stewardship

This management's discussion and analysis will include some of the highlights related to the operational and financial performance for 2023.

FINANCIAL HIGHLIGHTS

- Overall, net position decreased by approximately \$14.2 million during 2023 while operating loss was approximately \$13.4 million compared to 2022 where the net position decreased approximately \$16.0 million while operating loss was approximately \$14.5 million. Operating losses decreased during 2023 due to a decrease in operating expenses related to cost containment initiatives implemented by management.
- Assets limited to use decreased by approximately \$10.7 million in 2023 and \$1.7 million in 2022. Short and long-term debt, excluding lease liabilities, decreased by approximately \$19.4 million in 2023 and \$2.7 million in 2022. The Hospital paid off their debt in full during 2023. As of December 31, 2022, the debt has been shown as current due to the 2013 and 2019 bonds being paid off by the Hospital in August 2023.
- Net capital assets, including right-to-use assets, decreased by approximately \$8.3 million in 2023 and decreased by approximately \$1.5 million in 2022.
- Total operating revenues decreased approximately \$5.8 million during 2023 and increased by approximately \$3.2 million in 2022. The Hospital's operating margin for 2023 was equal to -12.0% compared to -12.3% for 2022. The factors impacting this will be discussed in greater detail herein.
- During 2023, the Hospital adopted Governmental Accounting Standards Board Statement No. 96 – *Subscription-Based Information Technology Arrangements* (GASB 96) which requires certain software subscriptions to be recorded in the statement of net position. This statement was applied retrospectively to the 2022 financial statements. The 2021 financial information in the MD&A has been restated in relation to GASB 96.

MEMORIAL HOSPITAL OF LOGANSPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2023 AND 2022 (WITH COMPARATIVE TOTALS FOR 2021)

USING THIS ANNUAL REPORT

The following pages will highlight certain financial statements of the Hospital and include a brief analysis. The financial statements of the Hospital explain the results of operations. The statement of revenues, expenses, and changes in net position summarizes the effect of the year's activities, while the statement of net position summarizes the Hospital's net resources at the beginning and end of the year. The statement of net position includes all assets and liabilities of the Hospital and provides information about the nature and amounts of investments in resources and obligations to its creditors. It also provides the basis for computing rate of return, evaluating the capital structure of the Hospital and assessing the liquidity and financial flexibility of the Hospital.

The statement of revenues, expenses, and changes in net position includes all the current year's revenue and expenses. The next financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the Hospital's cash flows from operating activities, capital, and financing activities, and investing activities, as well as providing information of the sources and uses of cash during the year.

THE HOSPITAL'S STATEMENTS OF NET POSITION

Table 1: A summary of the Hospital and component units statements of net position as of December 31, 2023, 2022 and 2021 is presented below (in thousands):

	Restated			Restated	
	2023	2022	Change 2023 - 2022	2021	Change 2022 - 2021
Assets					
Current assets	\$ 25,523	\$ 41,694	\$ (16,171)	\$ 54,069	\$ (12,375)
Assets limited to use (funded depreciation, escrow funds, contributions)	4,911	15,577	(10,666)	17,311	(1,735)
Capital assets	56,296	64,621	(8,325)	66,094	(1,473)
Interest rate swap	-0-	67	(67)	-0-	67
Other assets	279	279	-0-	279	-0-
Total assets	<u>\$ 87,009</u>	<u>\$ 122,238</u>	<u>\$ (35,229)</u>	<u>\$ 137,753</u>	<u>\$ (15,515)</u>
Liabilities					
Current liabilities	\$ 26,541	\$ 46,601	\$ (20,060)	\$ 45,956	\$ 645
Long-term debt, interest rate swap liability and long-term intangible right-to-use lease liabilities	9,012	9,943	(931)	10,120	(177)
Total liabilities	<u>35,553</u>	<u>56,544</u>	<u>(20,991)</u>	<u>56,076</u>	<u>468</u>
Net position					
Net investment in capital assets	56,296	45,228	11,068	31,937	13,291
Restricted	730	1,834	(1,104)	2,846	(1,012)
Unrestricted	(5,570)	18,632	(24,202)	46,894	(28,262)
Total net position	<u>51,456</u>	<u>65,694</u>	<u>(14,238)</u>	<u>81,677</u>	<u>(15,983)</u>
Total liabilities and net position	<u>\$ 87,009</u>	<u>\$ 122,238</u>	<u>\$ (35,229)</u>	<u>\$ 137,753</u>	<u>\$ (15,515)</u>

MEMORIAL HOSPITAL OF LOGANSPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2023 AND 2022 (WITH COMPARATIVE TOTALS FOR 2021)

Overall, total assets decreased by approximately \$35.2 million in 2023 and \$15.5 million in 2022, primarily due to decreases in cash and cash equivalents used to fund operating losses and decreases in assets limited to use that were used to pay the outstanding bonds. Total current assets decreased by approximately \$16.2 million during 2023 and \$12.4 million during 2021 primarily due to operating losses which resulted in decreases in cash and cash equivalents.

OPERATING RESULTS AND CHANGES IN THE HOSPITAL'S NET POSITION

Table 2: A summary of the Hospital and component units statement of revenues, expenses, and changes in net position for 2023, 2022, and 2021 is presented below (in thousands):

	Restated		Restated		
	2023	2022	Change 2023 - 2022	2021	Change 2022 - 2021
Operating revenues					
Net patient service revenue	\$ 106,889	\$ 112,583	\$ (5,694)	\$ 110,360	\$ 2,223
Other revenue	4,953	5,071	(118)	4,064	1,007
Total operating revenues	111,842	117,654	(5,812)	114,424	3,230
Operating expenses					
Salaries and benefits	58,644	59,577	(933)	55,977	3,600
Supplies and other	59,235	65,327	(6,092)	59,929	5,398
Depreciation and amortization	7,384	7,211	173	4,499	2,712
Total expenses	125,263	132,115	(6,852)	120,405	11,710
Operating loss	(13,421)	(14,461)	1,040	(5,981)	(8,480)
Total non-operating revenue (expense)	(817)	(1,522)	705	3,826	(5,348)
Change in net position	(14,238)	(15,983)	1,745	(2,155)	(13,828)
Net position, beginning of year - restated	65,694	81,677	(15,983)	83,832	(2,155)
Net position, end of year - restated	\$ 51,456	\$ 65,694	\$ (14,238)	\$ 81,677	\$ (15,983)

OPERATING AND FINANCIAL PERFORMANCE

Revenue

Net patient revenue in the current year decreased by approximately \$5.7 million as compared to 2022. This is due to inpatient volume decreases during 2023 along with the termination of the Hospital's two long-term care agreements effective June 30, 2023, as further described in Note 1 of the financial statements. The 2022 net patient revenue increased by approximately \$2.2 million compared to 2021.

Volumes

The Hospital overall experienced consistent outpatient volumes and decreases in inpatient volumes during 2023. Inpatient days were approximately 4,100, 4,600, and 5,500 for 2023, 2022, and 2021.

MEMORIAL HOSPITAL OF LOGANSPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2023 AND 2022 (WITH COMPARATIVE TOTALS FOR 2021)

The decreases in inpatient days were primarily the result of healthcare personnel turnover during 2023.

Expenses

The decrease in operating expenses of approximately \$6.9 million 2023 was primarily attributable do the cost containment initiatives implemented by management. The \$11.7 million increase in 2022 was primarily attributable to the increase in staffing costs and other inflationary costs increases.

Non-operating Revenues (Expenses)

Non-operating revenues (expenses) increased by approximately \$700,000 in 2023 primarily related to investment return and decreased by approximately \$5.3 million in 2022 primarily related to changes in COVID-19 relief funding provided by the federal government.

Overall Results

The Hospital, Foundation (one of the Hospital's blended component units), and Health Professional Resources (HPR) (also a blended component unit of the Hospital) experienced negative results during 2023 and 2022.

For the year ended 2023, the change in net position was approximately negative \$14.2 million compared to negative \$16.0 million in 2022.

SOURCES OF REVENUE

During 2023, the Hospital derived substantially all 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%, 66%, and 67% of the Hospital's gross revenue in 2023, 2022, and 2021.

Following is a table of major sources of gross patient revenues for 2023, 2022 and 2021.

<u>Payor Mix</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Medicare	42%	40%	37%
Medicaid	23%	26%	30%
Commercial insurance	17%	17%	15%
Blue Cross/Anthem	16%	15%	16%
Self pay	2%	2%	2%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

MEMORIAL HOSPITAL OF LOGANSPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2023 AND 2022 (WITH COMPARATIVE TOTALS FOR 2021)

THE HOSPITAL'S STATEMENT OF CASH FLOWS

Table 3: A summary of the Hospital and component units' statement of cash flows for 2023, 2022 and 2021 is presented below (in thousands):

	2023	Restated 2022	Change 2022 - 2021	Restated 2021	Change 2021 - 2020
Cash flow from activities					
Operating activities	\$ 2,233	\$ (1,104)	\$ 3,337	\$ (2,085)	\$ 981
Noncapital financing activities	(158)	172	(330)	3,383	(3,211)
Capital and related financing activities	(25,099)	(9,558)	(15,541)	(10,180)	622
Investing activities	9,513	1,185	8,328	1,159	26
Net change in cash and cash equivalents	<u>\$ (13,511)</u>	<u>\$ (9,305)</u>	<u>\$ (4,206)</u>	<u>\$ (7,723)</u>	<u>\$ (1,582)</u>

The Hospital experienced positive cash flows from operating activities for 2023 totaling approximately \$2.2 million. The Hospital experienced negative cash flows from operating activities for 2021-2022, totaling approximately \$3.2 million of negative cash flow from 2021 to 2022.

CAPITAL ASSETS

Net capital assets decreased by approximately \$8.3 million and \$1.5 million in 2023 and 2022.

The change in capital assets is outlined in the following table (in thousands):

	2023	Restated 2022	Change 2023 - 2022	Restated 2021	Change 2022 - 2021
Land and improvements	\$ 2,047	\$ 1,894	\$ 153	\$ 1,856	\$ 38
Buildings	71,900	72,106	(206)	72,068	38
Equipment	41,935	43,060	(1,125)	43,734	(674)
Total depreciable capital assets	115,882	117,060	(1,178)	117,658	(598)
Less accumulated depreciation	(72,692)	(68,466)	(4,226)	(76,517)	8,051
Construction in progress	2,934	3,819	(885)	13,282	(9,463)
Net depreciable capital assets	46,124	52,413	(6,289)	54,423	(2,010)
Intangible right-to-use assets	19,841	19,841	-0-	17,281	2,560
Less accumulated amortization	(9,669)	(7,633)	(2,036)	(5,610)	(2,023)
Net intangible right-to-use assets	10,172	12,208	(2,036)	11,671	537
Capital assets, net	<u>\$ 56,296</u>	<u>\$ 64,621</u>	<u>\$ (8,325)</u>	<u>\$ 66,094</u>	<u>\$ (1,473)</u>

MEMORIAL HOSPITAL OF LOGANSPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2023 AND 2022 (WITH COMPARATIVE TOTALS FOR 2021)

LONG-TERM DEBT

The Hospital had approximately \$19.4 million in short and long-term debt at year-end 2022 which was paid in full during 2023.

More detailed information about both capital assets and long-term debt is presented in the notes to the financial statements.

ECONOMIC OUTLOOK

Management believes that the healthcare industry and the Hospital's operating margins will continue to be under pressure as a result of changes in payor mix and growth in operating expenses that exceed any increases in contractually arranged and legally established payments received for services provided. Another factor that poses a challenge to management is the increasing competitive market for the delivery of healthcare services. This competitive market challenge will potentially be offset by the expected growth in the service area. The Hospital will still be faced with the challenge of providing quality services in an increasingly competitive environment, while at the same time managing costs. The Hospital will be affected by the increases in labor costs due to the competition for healthcare workers. The Hospital is also affected by the uncertainty of federal healthcare reform.

CONCLUSION AND CONTACT INFORMATION

Memorial Hospital of Logansport intends to operate in a fashion that meets its community, operational, and financial obligations. This report is designed to provide a general overview of the Hospital and its finances to our stakeholders. Please address questions or requests regarding this financial report to the chief financial officer, at Memorial Hospital of Logansport, 1101 Michigan Avenue, Logansport IN, 46947.

MEMORIAL HOSPITAL OF LOGANSPORT

STATEMENTS OF NET POSITION DECEMBER 31, 2023 AND 2022

ASSETS		
	2023	Restated 2022
Current assets		
Cash and cash equivalents	\$ 6,697,066	\$ 17,954,016
Patient accounts receivable	15,582,642	20,126,662
Current portion of pledges receivable	40,899	54,496
Supplies and other current assets	3,202,707	3,559,294
Total current assets	25,523,314	41,694,468
Assets limited as to use		
Internally designated	4,222,413	13,797,559
Held by trustee	-0-	1,090,693
Restricted by contributors and grantors	688,886	688,665
Total assets limited as to use	4,911,299	15,576,917
Capital assets		
Land and construction in progress	3,812,764	4,697,054
Intangible right-to-use assets, net	10,172,463	12,206,853
Depreciable capital assets, net	42,310,854	47,715,196
Total capital assets	56,296,081	64,619,103
Interest rate swap agreements	-0-	66,730
Other assets	279,198	279,198
Total assets	<u>\$ 87,009,892</u>	<u>\$ 122,236,416</u>

See accompanying notes to financial statements.

MEMORIAL HOSPITAL OF LOGANSPORT

STATEMENTS OF NET POSITION DECEMBER 31, 2023 AND 2022

LIABILITIES AND NET POSITION		
	2023	Restated 2022
Current liabilities		
Current portion of long-term debt and capital leases	\$ -0-	\$ 19,281,000
Current portion of intangible right-to-use lease and SBITA liabilities	1,631,761	2,436,139
Accounts payable and accrued expenses	13,357,143	18,250,317
Accrued payroll and related liabilities	3,134,620	3,511,176
Estimated third-party payor settlements	8,418,154	3,121,957
Total current liabilities	26,541,678	46,600,589
Non current liabilities		
Other long-term liabilities	810,000	-0-
Intangible right-to-use lease and SBITA liabilities, net of current portion	8,202,094	9,831,959
Long-term debt, net of current portion	-0-	110,000
Total liabilities	35,553,772	56,542,548
Net position		
Net investment in capital assets	56,296,081	45,228,103
Restricted		
Held by trustee	-0-	1,090,693
Expendable for specific operating activities	393,109	406,485
Nonexpendable permanent endowments	336,676	336,676
Unrestricted	(5,569,746)	18,631,911
Total net position	51,456,120	65,693,868
Total liabilities and net position	\$ 87,009,892	\$ 122,236,416

See accompanying notes to financial statements.

MEMORIAL HOSPITAL OF LOGANSPOORT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	Restated 2022
Operating revenues		
Net patient revenue	\$ 106,888,785	\$ 112,582,882
Other	4,953,507	5,071,864
Total operating revenues	111,842,292	117,654,746
Operating expenses		
Salaries and benefits	58,643,598	59,577,047
Medical and other professional fees	13,139,116	11,953,069
Medical supplies and drugs	17,330,404	19,951,449
Other supplies	2,399,272	2,746,722
Depreciation and amortization	7,384,453	7,210,694
Rent and leases	980,936	1,125,037
Utilities and postage	1,308,574	1,440,436
Maintenance and repairs	548,395	590,172
Insurance	1,048,250	1,034,819
Hospital assessment fee	5,745,553	5,280,101
Purchased services and other	16,734,183	21,205,899
Total operating expenses	125,262,734	132,115,445
Operating loss	(13,420,442)	(14,460,699)
Nonoperating revenues (expenses)		
Investment income (loss)	1,034,771	(582,348)
Interest expense	(1,792,998)	(1,253,951)
Noncapital grants and contributions	210,740	338,039
Other revenues (expenses)	(269,819)	(24,159)
Total nonoperating revenues (expenses)	(817,306)	(1,522,419)
Change in net position	(14,237,748)	(15,983,118)
Net position beginning of the year - restated	65,693,868	81,676,986
Net position end of year - restated	\$ 51,456,120	\$ 65,693,868

See accompanying notes to financial statements.

MEMORIAL HOSPITAL OF LOGANSPORT

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	Restated 2022
Operating activities		
Cash received from patients and third party payors	\$ 111,411,023	\$ 114,881,818
Cash paid to employees for salaries and benefits	(59,020,154)	(59,393,868)
Cash paid to vendors for goods and services	(55,011,693)	(61,664,173)
Other operating receipts	4,853,507	5,071,864
Net cash flows from operating activities	2,232,683	(1,104,359)
Noncapital financing activities		
Noncapital grants, contributions, and other	(158,401)	171,560
Net cash flows from noncapital financing activities	(158,401)	171,560
Capital and related financing activities		
Capital grants and contributions	13,597	(15,982)
Acquisition of capital assets	(1,493,707)	(3,229,092)
Payments on intangible right-to-use lease liabilities	(2,434,243)	(2,415,504)
Principal paid on long-term debt	(19,391,000)	(2,669,000)
Interest paid on intangible right-to-use lease liabilities	(465,345)	(646,204)
Interest paid on long-term debt	(1,327,653)	(581,135)
Net cash flows from capital and related financing activities	(25,098,351)	(9,556,917)
Investing activities		
Investment income	1,034,771	(582,348)
Purchases of investments in assets whose use is limited	(4,385,223)	322,025
Proceeds from sale of investments in assets whose use is limited	12,863,352	1,445,156
Net cash flows from investing activities	9,512,900	1,184,833
Net change in cash and cash equivalents	(13,511,169)	(9,304,883)
Cash and cash equivalents at beginning of year	22,771,968	32,076,851
Cash and cash equivalents at end of year	<u>\$ 9,260,799</u>	<u>\$ 22,771,968</u>
Reconciliation of cash and cash equivalents to the statements of net position		
Cash and cash equivalents in current assets	\$ 6,697,066	\$ 17,954,016
Cash and cash equivalents in assets limited as to use	2,563,733	4,817,952
Total cash and cash equivalents	<u>\$ 9,260,799</u>	<u>\$ 22,771,968</u>

See accompanying notes to financial statements.

MEMORIAL HOSPITAL OF LOGANSPORT

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	Restated 2022
Reconciliation of operating loss to net cash flows from operating activities		
Operating loss	\$ (13,420,442)	\$ (14,460,699)
Adjustments to reconcile operating loss to net cash flows from operating activities		
Depreciation and amortization	7,384,453	7,210,694
Provision for bad debts	8,990,260	8,347,120
Gain on sale of fixed assets	2,374,683	-0-
Changes in:		
Patient accounts receivable	(4,446,240)	(6,082,693)
Supplies, other current assets and other assets	513,502	725,797
Accounts payable and accrued expenses	(4,893,174)	5,989,841
Accrued payroll and related liabilities	(376,556)	183,179
Estimated third-party payor settlements	5,296,197	(3,017,598)
Other long-term liabilities	810,000	-0-
Net cash flows from operating activities	<u>\$ 2,232,683</u>	<u>\$ (1,104,359)</u>
Noncash capital financing activities		
Property additions included in accounts payable	\$ -0-	\$ -0-

See accompanying notes to financial statements.

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Memorial Hospital of Logansport (the Hospital) is a county-owned facility and operates under the Indiana County Hospital Law, Indiana Code 16-22. The Hospital provides acute care including inpatient, outpatient, and emergency care as well as long-term care to Cass County and other surrounding counties.

The Board of County Commissioners of Cass County appoints the Governing Board of the Hospital (Board), and a financial benefit/burden relationship exists between Cass County (the County) and the Hospital. For these reasons, the Hospital is considered a discrete component unit of the County.

The Board of County Commissioners of Cass County, upon written request of the Hospital Board of Trustees created the Memorial Hospital of Logansport Association (the Association). The Association, which is included in the Hospital, was created pursuant to the provisions of Indiana Code 16-22-6 for the exclusive purpose of financing and constructing hospital facilities for the Hospital. The Association is a component unit which has no assets, no liabilities and conducts no operating activities.

Pursuant to the provision of long-term care, beginning in 2012, the Hospital owned the operations of two long-term care facilities by way of an arrangement with the manager of the facilities. 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 were in effect, the performance of all activities of the managers was on behalf of the Hospital and the Hospital retained the authority and legal responsibility for the operation of the facilities.

Related thereto, 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 manager. Concurrently, the Hospital entered into agreements with the manager to manage the above-leased facilities. As part of the agreements, the Hospital paid the manager a management fee to continue managing the facilities on behalf of the Hospital in accordance with the terms of the agreements. These management fees consisted of base management fees, subordinated management fees, and quarterly incentive payments. The agreements were scheduled to expire on July 1, 2024. However, all parties involved can terminate the agreement without cause with 120 days written notice, and the manager of the facilities notified the Hospital of their intent to and terminated the agreement on June 30, 2023, resulting in no revenue and minimal associated expenses subsequent to June 30, 2023.

Other current assets and liabilities related to long-term care include certain reimbursement receivables, accrued fees, and expenses, and working capital balances related to the long-term care facilities.

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

The accompanying financial statements present the activities of the Hospital (primary government) and its significant component units. The component units discussed below are included in the Hospital's reporting entity because of the significance of their operational or financial relationships with the Hospital. 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 with data of the primary government.

The financial statements of the Hospital are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business-type activities of Cass County attributable to the transactions of the Hospital and its blended component units. They do not purport to, and do not, present fairly the financial position of Cass County as of December 31, 2023 and 2022, the changes in its financial position or its cash flows for the years then ended.

Blended Component Units

Memorial Hospital Foundation of Cass County, Inc. d/b/a Memorial Hospital Foundation (the Foundation), is a significant blended component unit of the Hospital. The purpose of the Foundation is to assist in raising contributions from the community in order to enhance the ability of the Hospital to service the health needs of the patients it serves. The Hospital appoints a voting majority of the Foundation's Board, and a financial benefit/burden relationship exists between the Hospital and the Foundation. Although it is legally separate from the Hospital, the Foundation is reported as if it were a part of the Hospital because it is substantively the same.

Health Professional Resources, Inc., (HPR) is a significant blended component unit wholly owned by the Hospital. HPR operates a community pharmacy and provides food service for a local county mental health organization. The primary government appoints a voting majority of HPR's Board and can impose its will. Although it is legally separate from the Hospital, HPR is reported as if it were a part of the Hospital because the two boards are substantively the same.

All significant intercompany transactions have been eliminated in the financial statements.

Complete financial statements for these components can be requested from Hospital administration located at Memorial Hospital of Logansport, 1101 Michigan Avenue, Logansport IN, 46947.

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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

Enterprise Fund Accounting

The Hospital utilizes the enterprise fund method of accounting whereby revenue and expenses are recognized on the accrual basis of accounting. Substantially all revenues and expenses are subject to accrual.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits and investments in liquid debt instruments with an original maturity of three months or less.

Assets Limited as to Use

Assets whose use is limited are stated at fair value in the financial statements. These assets include investments designated by the Hospital's Board for internal purposes and investments held by trustees for debt service and capital improvements. These investments consist primarily of cash and cash equivalents, money market deposit accounts, certificates of deposit, mutual funds, and equities. Amounts restricted by contributors or grantors consist of amounts designated to be restricted for a particular purpose in accordance with donor or grantor agency stipulations. Investment income, to the extent not capitalized, is reported as nonoperating revenue in the statements of revenues, expenses, and changes in net position.

Investments: Debt and Equity Securities and Other Investments

Debt and equity securities are reported at fair value. Debt securities are defined as securities backed by the full faith and credit of the United States Treasury, fully insured, or guaranteed by the United States or any United States government agency.

Nonparticipating certificates of deposit, demand deposits, and similar nonparticipating negotiable instruments that are not reported as cash and cash equivalents are reported as investments at cost.

Investments in affiliated companies are reported using the equity method of accounting, or at cost, as applicable.

Investment income, including changes in the fair value of investments, is reported as non-operating revenues in the statements of revenues, expenses, and changes in net position.

Capital Assets

Capital assets such as property and equipment are stated at cost and include expenditures for new additions and other costs added which exceed \$1,000 and 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.

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

The range of useful lives in computing depreciation is as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land improvements	\$1,000	Straight-line	20 years
Buildings	\$1,000	Straight-line	30 years
Equipment	\$1,000	Straight-line	3-15 years

For depreciated assets, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Intangible right-of use assets are recognized on the lease commencement date in an amount that represents the present value of the future lease payments over the lease term. Intangible right-to-use assets are amortized over the term of the current lease.

Patient Accounts Receivable and Revenues

Patient revenues and the related accounts receivable are recorded at the time services to patients are performed and are reported based on gross charges net of certain deductions from those charges. Management estimates an allowance for doubtful accounts receivable based on an evaluation of historical losses, current economic conditions, and other factors unique to the Hospital's customer base.

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.

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.

These programs have audited the year-end cost report filed with the Medicare program through December 31, 2019, with differences reflected as deductions from revenue. Amounts for unresolved cost reports for 2020 through 2023 as well as other allowances are reflected in estimated third-party settlements on the statements of net position. Differences from the prior year estimates related to the cost report settlements have been deemed immaterial by management for financial statement disclosure.

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

The Hospital also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, 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. Patient charges under these programs, on which no interim payments have been received, are included in patient accounts receivable at the estimated net realizable value of such charges.

Hospital Assessment Fee (HAF) Program

The purpose of the HAF Program is to fund the State share of enhanced Medicaid payments and Medicaid Disproportionate Share payments for Indiana hospitals as reflected in the hospital assessment fee expense reported in the statements of revenues, expenses, and changes in net position.

Previously, the State share was funded by governmental entities through intergovernmental transfers. The Medicaid enhanced payments relate to both fee for service and managed care claims. The Medicaid enhanced payments are designed to follow the patients and result in increased Medicaid rates. During 2023 and 2022, the Hospital recognized hospital assessment fee expense of approximately \$5,746,000 and \$5,280,000, respectively, which resulted in increased Medicaid reimbursement.

Charity Care

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. Amounts deemed to be charity care are reported as deductions from revenues.

Of the Hospital's total expenses reported, an estimated \$762,000 and \$722,000 arose from providing services to charity patients during the years ended December 31, 2023 and 2022, respectively. The estimated costs of providing charity services are based on a calculation that 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 divided by gross patient service revenue.

Net Position

Net position of the Hospital is classified in various components. Net position – 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.

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

Restricted expendable net position includes assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital, including amounts deposited with trustees as required by revenue note indentures. Unrestricted net position is remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Restricted Net Position

Expendable net position restricted for specific operating activities are available for the following purposes:

	2023	2022
Charity care	\$ 280,015	\$ 280,440
Capital campaign	-0-	34,176
Capital projects fund	51,708	48,158
Other	61,386	43,711
Total	<u>\$ 393,109</u>	<u>\$ 406,485</u>

When the Hospital has both restricted and unrestricted resources available to finance a particular program, it is the Hospital's policy to use restricted resources before unrestricted resources.

Restricted nonexpendable net position as of December 31, 2023 and 2022 represent the principal amounts of permanent endowments, restricted to investment in perpetuity. Investment earnings from the permanent endowments are expendable to support the activities of the Hospital.

Operating Revenues and Expenses

The Hospital's statements of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services — the Hospital's principal activity. Non-exchange revenues including grants, and contributions received for purposes other than capital asset acquisition are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Grants and Contributions

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

MEMORIAL HOSPITAL OF LOGANSPOORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

Pledges Receivable

The Foundation records unconditional promises to give (pledges) at fair value at the date the promise is received. Total pledges receivable is expected to be collected within one year of the statement of net position date and are not material to the financial statements.

Compensated Absences

Short-Term Disability

The Hospital utilizes a short-term disability benefit program. The Hospital self-funds their short-term disability program as expenses is incurred.

Personal Leave

Hospital employees who work at least 32 hours per pay period earn personal leave at the rate of 72 to 144 hours per year based upon the number of years of service. Unused personal leave may be accumulated to a maximum of 240 hours. Accumulated personal leave is paid to employees through a lump sum cash payment upon separation of employment.

Personal leave is accrued when incurred and reported as a liability.

Federal or State Income Taxes

The Hospital is a governmental instrumentality organized under Title 16, Article 22, of the Indiana statutes. The Internal Revenue Service recognizes the Hospital as exempt from federal income tax as a charitable, educational, and scientific organization as described under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Memorial Hospital Foundation is also a 501(c)(3) not-for-profit organization. Health Professional Resources, Inc. is an Indiana corporation. Income taxes for HPR for those that are currently due and for deferred taxes have been deemed immaterial by management for separate disclosure within these financial statements.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Hospital (and its component units) and recognize a tax liability if the Hospital or its component units have taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities.

Management has analyzed the tax positions taken and has concluded that as of December 31, 2023 and 2022, 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 and its component units are subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

Where applicable, these entities have filed their federal and state income tax returns for periods through December 31, 2022. 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).

Advertising

The Hospital uses advertising for recruiting and to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. The total amount of advertising expense was approximately \$545,000 and \$795,000 during 2023 and 2022, respectively, and are included within purchased services and other in the statements of revenues, expenses, and changes in net position.

Risk Management

The Hospital is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; job related illnesses or injuries to employees; medical benefits to employees and dependents. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims from these risks have not exceeded commercial insurance coverage for the past several years.

Other Revenue

Other revenue consists of pharmacy sales from one of the component units of approximately \$1,825,000 and \$1,891,000 for 2023 and 2022 after intercompany eliminations. The remainder of other revenue is generated by the Hospital and consists of cafeteria sales, revenue associated with renting and cleaning the medical office buildings, electronic health record incentive payments, and other.

Subsequent Events

The Hospital evaluated events or transactions occurring subsequent to the statement of net position date for recognition and disclosure in the accompanying financial statements through the date the financial statements were available to be issued which is September 23, 2024.

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

2. CHANGE IN ACCOUNTING PRINCIPLE

GASB Statement No. 96

In 2023, the Hospital implemented Governmental Accounting Standards Board (GASB) Statement No. 96 – *Subscription-Based Information Technology Arrangements* (GASB 96), which requires all subscription-based information technology arrangements (SBITAs) that have a maximum possible term greater than 12 months to be recorded on the statements of net position. Previously, SBITAs classified as operating leases and operating expenses were not recorded in the statements of net position. The following table outlines the retrospective adjustments necessary to adopt GASB 96.

Net position - December 31, 2021, as previously reported	\$ 82,081,966
GASB Statement No. 96 implementation:	
SBITA	15,636,866
Accumulated amortization	(4,951,674)
SBITA liabilities	(11,090,172)
Net change in beginning net position	(404,980)
Net position - December 31, 2021, as restated	<u>\$ 81,676,986</u>
Net position - December 31, 2022, as previously reported	\$ 65,689,794
GASB Statement No. 96 implementation:	
SBITA	15,636,866
Accumulated amortization	(6,515,361)
SBITA liabilities	(9,117,431)
Net change in beginning net position	4,074
Net position - December 31, 2022, as restated	<u>\$ 65,693,868</u>

3. FAIR VALUE MEASUREMENTS

The Hospital's investments are reported at fair value in the accompanying statements of net position. Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction, which requires an entity to maximize the use of observable inputs when measuring fair value.

MEMORIAL HOSPITAL OF LOGANSPOUR

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

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 and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2023 and 2022. The Hospital does not have any level 3 assets or liabilities.

- *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 net asset value (NAV) and to transact at that price. The mutual funds held by the Hospital are deemed to be actively traded.
- *Equities*: Valued at the closing price reported on the active market on which the individual securities are traded.
- *Interest rate swap agreements*: Valued using pricing models that are derived principally from observable market data based on discounted cash flows and interest rate yield curves at quoted intervals for the full term of the swap.

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2023 and 2022 are as follows:

	2023			
	Total	Level 1	Level 2	Level 3
Assets				
Assets whose use is limited				
Mutual funds				
Intermediate-term bond	\$ 653,590	\$ 653,590	\$ -0-	\$ -0-
Equities				
Basic materials	43,176	43,176	-0-	-0-
Communication services	26,545	26,545	-0-	-0-
Consumer cyclical	190,967	190,967	-0-	-0-
Consumer defensive	88,914	88,914	-0-	-0-
Energy	109,327	109,327	-0-	-0-
Financial services	310,005	310,005	-0-	-0-
Healthcare	261,537	261,537	-0-	-0-
Industrials	173,767	173,767	-0-	-0-
Real estate	61,039	61,039	-0-	-0-
Technology	378,395	378,395	-0-	-0-
Other	50,304	50,304	-0-	-0-
Total equities	1,693,976	\$ 1,693,976	\$ -0-	\$ -0-
Money market deposit accounts	2,563,733			
Total assets whose use is limited	<u>\$ 4,911,299</u>			

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

	2022			
	Total	Level 1	Level 2	Level 3
Assets				
Assets whose use is limited				
Mutual funds				
Intermediate-term bond	\$ 1,744,621	\$ 1,744,621	\$ -0-	\$ -0-
Large value	1,876,773	1,876,773	-0-	-0-
Total mutual funds	3,621,394	3,621,394	-0-	-0-
Equities				
Basic materials	40,646	40,646	-0-	-0-
Communication services	65,614	65,614	-0-	-0-
Consumer defensive	188,699	188,699	-0-	-0-
Energy	92,833	92,833	-0-	-0-
Financial services	199,829	199,829	-0-	-0-
Healthcare	117,910	117,910	-0-	-0-
Industrials	124,643	124,643	-0-	-0-
Real estate	87,942	87,942	-0-	-0-
Technology	154,472	154,472	-0-	-0-
Utilities	91,305	91,305	-0-	-0-
Total equities	1,163,893	\$ 1,163,893	\$ -0-	\$ -0-
Money market deposit accounts	4,817,952			
Accrued interest	29,654			
Certificates of deposit *	5,944,024			
Total assets whose use is limited	<u>\$ 15,576,917</u>			
Assets				
Interest rate swap agreements	<u>\$ 66,730</u>	<u>\$ -0-</u>	<u>\$ 66,730</u>	<u>\$ -0-</u>

* Certificates of deposit are reported at contract value

The Hospital's policy is to recognize transfers between levels as of the end of the reporting period. The Hospital did not have any transfers between levels as of December 31, 2023 and 2022.

Realized gains and losses and interest and dividend income are reported in the statements of revenues, expenses, and changes in net position as a component of investment income. Net realized gains and losses and interest and dividend income approximated \$660,000 and \$320,000 during 2023 and 2022, respectively.

The unrealized gains and losses are included in earnings for the period attributable to the change in unrealized gains and losses relating to assets held as of December 31, 2023 and 2022. During 2023 and 2022, the Hospital recognized unrealized gains of approximately \$375,000 and unrealized losses of \$907,000, respectively, which is included in the statement of revenues, expenses, and changes in net position as a component of investment income.

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

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.

4. ASSETS LIMITED AS TO USE

The composition of assets limited as to use includes the following as of December 31:

	2023	2022
Internally designated		
Funded depreciation		
Money market deposit accounts	\$ 2,563,733	\$ 3,727,259
Investments	1,658,680	10,040,646
Accrued interest receivable	-0-	29,654
Total funded depreciation	4,222,413	13,797,559
Held by trustee		
Money market deposit accounts	-0-	1,090,693
Restricted by contributors and grantors		
Investments	688,886	688,665
Total assets limited as to use	<u>\$ 4,911,299</u>	<u>\$ 15,576,917</u>

5. DEPOSITS AND INVESTMENTS

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.

Investments are carried generally at fair market value. Net realized gains and losses on security transactions are determined on the specific identification cost basis. Funded depreciation investments consist of certificates of deposits, mutual funds, and equities.

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

As of December 31, 2023 and 2022, 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, 2023					
	Carrying Amount	Investment Matures (in years)			
		Less than 1	1-5	6-10	More than 10
Mutual funds	\$ 653,590	\$ 653,590	\$ -0-	\$ -0-	\$ -0-
Equities	1,693,976	1,693,976	-0-	-0-	-0-
	<u>\$ 2,347,566</u>	<u>\$ 2,347,566</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
December 31, 2022					
	Carrying Amount	Investment Matures (in years)			
		Less than 1	1-5	6-10	More than 10
Certificates of deposit	\$ 5,944,024	\$ 2,740,702	\$ 3,203,322	\$ -0-	\$ -0-
Mutual funds	3,621,394	3,621,394	-0-	-0-	-0-
Equities	1,163,893	1,163,893	-0-	-0-	-0-
	<u>\$ 10,729,311</u>	<u>\$ 7,525,989</u>	<u>\$ 3,203,322</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

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 funds, 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 U.S. Government or U.S. Government Agency obligations. It is the Hospital's policy to invest only in securities that meet the ratings requirements set by state statute.

Concentration of credit risk – The Hospital places no limit on the amount it may invest in any one issuer. The Hospital believes that it is not exposed to any significant credit risk on investments.

MEMORIAL HOSPITAL OF LOGANSPOUT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

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

	2023	2022
Carrying amount		
Deposits	\$ 9,260,799	\$ 22,771,968
Accrued interest	-0-	29,654
Investments	2,347,566	10,729,311
	<u>\$ 11,608,365</u>	<u>\$ 33,530,933</u>
Included in the balance sheet captions		
Cash and cash equivalents	\$ 6,697,066	\$ 17,954,016
Internally designated	4,222,413	13,797,559
Held by trustee for debt service	-0-	1,090,693
Restricted by contributors and grantors	688,886	688,665
	<u>\$ 11,608,365</u>	<u>\$ 33,530,933</u>

6. ACCOUNTS RECEIVABLE AND PAYABLE

Patient accounts receivable and accounts payable (including accrued expenses) reported as current assets and liabilities by the Hospital at year-end consisted of these amounts as of December 31, 2023 and 2022:

	2023	2022
Patient accounts receivable		
Receivable from patients and their insurance carriers	\$ 20,325,661	\$ 31,353,671
Receivable from Medicare	19,818,066	18,739,310
Receivable from Medicaid	11,317,698	8,894,305
Total patient accounts receivable	51,461,425	58,987,286
Less allowance for contractual agreements	(30,243,433)	(23,996,741)
Less allowance for doubtful accounts	(5,635,350)	(14,863,883)
Patient accounts receivable, net	<u>\$ 15,582,642</u>	<u>\$ 20,126,662</u>
Accounts payable and accrued expenses		
Payable to suppliers	\$ 13,357,143	\$ 18,250,317
Payable to employees (including payroll taxes and benefits)	3,134,620	3,511,176
Total accounts payable and accrued expenses	<u>\$ 16,491,763</u>	<u>\$ 21,761,493</u>

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

7. CAPITAL ASSETS

A summary of capital assets at December 31, 2023 and 2022 follows:

	Restated Balance December 31, 2022	Additions	Retirements	Transfers	Balance December 31, 2023
Land	\$ 878,337	\$ -0-	\$ -0-	\$ -0-	\$ 878,337
Land improvements	1,016,081	153,040	-0-	-0-	1,169,121
Building and improvements	72,106,046	551,250	(2,297,174)	1,540,293	71,900,415
Equipment	43,058,982	133,414	(1,259,048)	-0-	41,933,348
Construction in progress	3,818,717	656,003	-0-	(1,540,293)	2,934,427
Total depreciable capital assets	120,878,163	1,493,707	(3,556,222)	-0-	118,815,648
Less accumulated depreciation					
Land improvements	(677,492)	(45,301)	-0-	-0-	(722,793)
Building and improvements	(44,311,631)	(2,057,669)	1,109,446	-0-	(45,259,854)
Equipment	(23,476,790)	(3,247,094)	14,500	-0-	(26,709,384)
Total accumulated depreciation	(68,465,913)	(5,350,064)	1,123,946	-0-	(72,692,031)
Depreciable capital assets, net	52,412,250	(3,856,357)	(2,432,276)	-0-	46,123,617
SBITA	15,636,866	-0-	-0-	-0-	15,636,866
Leased equipment	1,274,652	-0-	-0-	-0-	1,274,652
Leased buildings	2,929,661	-0-	-0-	-0-	2,929,661
Total intangible right-to-use assets	19,841,179	-0-	-0-	-0-	19,841,179
Less accumulated amortization					
SBITA	(6,515,361)	(1,563,687)	-0-	-0-	(8,079,048)
Leased equipment	(872,131)	(352,405)	-0-	-0-	(1,224,536)
Leased buildings	(246,834)	(118,297)	-0-	-0-	(365,131)
Total accumulated amortization	(7,634,326)	(2,034,389)	-0-	-0-	(9,668,715)
Intangible right-to-use assets, net	12,206,853	(2,034,389)	-0-	-0-	10,172,464
Capital assets, net	\$ 64,619,103	\$ (5,890,746)	\$ (2,432,276)	\$ -0-	\$ 56,296,081

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

	Restated Balance December 31, 2021	Additions	Retirements	Transfers	Restated Balance December 31, 2022
Land	\$ 878,337	\$ -0-	\$ -0-	\$ -0-	\$ 878,337
Land improvements	977,581	38,500	-0-	-0-	1,016,081
Building and improvements	72,067,913	-0-	(508,151)	546,284	72,106,046
Equipment	43,733,574	713,389	(12,728,819)	11,340,838	43,058,982
Construction in progress	13,281,988	2,423,851	-0-	(11,887,122)	3,818,717
Total depreciable capital assets	130,939,393	3,175,740	(13,236,970)	-0-	120,878,163
Less accumulated depreciation					
Land improvements	(640,469)	(37,023)	-0-	-0-	(677,492)
Building and improvements	(42,797,507)	(2,022,275)	508,151	-0-	(44,311,631)
Equipment	(33,079,139)	(3,126,470)	12,728,819	-0-	(23,476,790)
Total accumulated depreciation	(76,517,115)	(5,185,768)	13,236,970	-0-	(68,465,913)
Depreciable capital assets, net	54,422,278	(2,010,028)	-0-	-0-	52,412,250
SBITA	15,636,866	-0-	-0-	-0-	15,636,866
Leased equipment	1,274,652	-0-	-0-	-0-	1,274,652
Leased buildings	369,903	2,559,758	-0-	-0-	2,929,661
Total intangible right-to-use assets	17,281,421	2,559,758	-0-	-0-	19,841,179
Less accumulated amortization					
SBITA	(4,951,674)	(1,563,687)	-0-	-0-	(6,515,361)
Leased equipment	(603,783)	(268,348)	-0-	-0-	(872,131)
Leased buildings	(53,943)	(192,891)	-0-	-0-	(246,834)
Total accumulated amortization	(5,609,400)	(2,024,926)	-0-	-0-	(7,634,326)
Intangible right-to-use assets, net	11,672,021	534,832	-0-	-0-	12,206,853
Capital assets, net	\$ 66,094,299	\$ (1,475,196)	\$ -0-	\$ -0-	\$ 64,619,103

Outstanding commitments related to property and equipment were approximately \$884,000 at December 31, 2023, primarily related to completion of the Hospital's chilled water plant.

Intangible right-to-use assets

Leased buildings and equipment

In 2022, the Hospital implemented the guidance in GASB No. 87 and recognized the value of buildings and equipment leased under long-term contracts. As of December 31, 2023 and December 31, 2022, the Hospital had one lease agreement in place for equipment and one lease in place for a building. During 2022, the Hospital entered into a second lease agreement for a building. Terms of the leases are described in Note 10.

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

SBITA Assets

In 2023, the Hospital implemented the guidance in GASB 96 and recognized the value of various SBITAs under long-term contracts. As of December 31, 2023 and 2022, the Hospital had one SBITA in place for information technology software with no tangible asset component. The value of the SBITA intangible right-to-use asset is amortized over the SBITA term, including renewable periods the Hospital is reasonably certain to exercise. The terms of the SBITA are addressed in Note 10.

8. LONG-TERM DEBT

The terms and due dates of the Hospital's long-term debt at December 31, 2023 and 2022 are as follows:

- 2013A tax-exempt revenue bonds, principal maturing in varying amounts due May 1, 2038, collateralized by property and equipment with a net book value of approximately \$51,161,000 at December 31, 2022. Interest rate is variable at 3.88% as of December 31, 2022. An associated interest rate swap has fixed rate of 2.77% with an asset fair value of approximately \$38,000 as of December 31, 2022, the effects of which are immaterial to the financial statements as a whole. The bonds were paid off in full in August 2023.
- 2013B tax-exempt revenue bonds, principal maturing in varying amounts due May 1, 2024, collateralized by property and equipment with a net book value of approximately \$51,161,000 at December 31, 2022. Interest rate is variable at 4.01% as of December 31, 2022. An associated interest rate swap has fixed rate of 2.39% with an asset fair value of approximately \$29,000 as of December 31, 2022, the effects of which are immaterial to the financial statements as a whole. The bonds were paid off in full in August 2023.
- 2019A tax exempt revenue bonds, principal maturing in varying amounts due March 1, 2034, collateralized by property and equipment with a net book value of approximately \$51,161,000 at December 31, 2022, in addition to the assets held by Trustee of approximately \$2,100,000. Interest rate is fixed at 3.0%. The bonds were paid off in full in August 2023.
- During 2020, the Hospital entered into an installment contract to purchase real estate for approximately \$410,000, with payments of approximately \$5,000 a month and an imputed interest rate of 4%. The installment contract was collateralized by real estate and equipment with an approximate net book value of \$375,000 at December 31, 2022. The installment note was paid in full in August 2023.

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

The Hospital and the Indiana Financing Authority (the Authority) entered into an agreement with Huntington Public Capital Corporation (Huntington) whereby Huntington purchased from the Authority all the Series 2013A and 2013B tax-exempt revenue bonds (2013 Bonds) in a private placement. The agreement provided that Huntington would hold the Series 2013 Bonds during the Initial Mode Period which ran through May 2023. During the Initial Mode Period, the Series 2013 Bonds bore interest at the Initial Rate Mode (LIBOR plus 32 basis points plus the applicable spread of 150 basis points for the 2013A Bonds and LIBOR plus 32 basis points plus the applicable spread of 130 basis points for the 2013B Bonds) for 120 months with principal and interest payments determined using a 25-year amortization schedule for the 2013A Series revenue bonds and a 20-year amortization schedule for the 2013B Series revenue bonds.

At the end of the Initial Mode Period, the Series 2013 bonds could have been converted to another interest rate mode and remarketed to another bondholder or holders or renewed for another term period with Huntington. The Series 2013 Bonds could be converted to another interest rate mode to accommodate market conditions at that time. As noted below, Huntington did not renew the bonds for another term and the Hospital paid off the bonds in August 2023.

The Hospital and the Authority entered into an agreement with Siemens Public, Inc. (Siemens) whereby Siemens purchased from the Authority all the Series 2019 tax-exempt revenue bonds (2019 Bonds) in a private placement. The agreement provided that Siemens would hold the Series 2019 Bonds during the Initial Mode Period which runs through March 2034.

Under the terms of the revenue bond indenture, the Hospital is required to maintain certain deposits with a trustee. Such deposits are included with restricted cash and investments in the statements of net position. The revenue bond indenture also places limits on the incurrence of additional borrowings and requires that the Hospital satisfy certain measures of financial performances as long as the bonds are outstanding. The Hospital was also required to meet certain financial covenants. The Hospital did not meet the debt service coverage ratio covenant for the Series 2013 and Series 2019 Bonds from March 31, 2021 through March 31, 2023 and were deemed to be in default under the 2013 and 2019 Bond agreements by Huntington and Siemens. The Hospital did not receive a waiver for the debt covenant violations and the bonds were paid off in August 2023. Therefore, the bonds were shown as current on December 31, 2022.

As the Hospital was in the default of the 2013 and 2019 Bonds, the interest rate on the bonds was increased by 3% from the date of the first covenant violation, which was April 1, 2021. The total payoff of the 2013 and 2019 Bonds including accrued default interest and associated legal fees and other bank fees was approximately \$7,690,000 and \$10,297,000, respectively.

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

A summary of long-term debt as of December 31, 2023 and 2022 includes the following:

	Balance at December 31, 2022	Additional borrowings	Payments	Balance at December 31, 2023	Current portion	Long-term portion
2013A Bonds - direct placement	\$ 6,288,000	\$ -0-	\$ 6,288,000	\$ -0-	-0-	\$ -0-
2013B Bonds - direct placement	2,094,000	-0-	2,094,000	-0-	-0-	-0-
2019 Bonds - direct placement	10,839,000	-0-	10,839,000	-0-	-0-	-0-
Installment note	170,000	-0-	170,000	-0-	-0-	-0-
	<u>\$ 19,391,000</u>	<u>\$ -0-</u>	<u>\$ 19,391,000</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

	Balance at December 31, 2021	Additional borrowings	Payments	Balance at December 31, 2022	Current portion	Long-term portion
2013A Bonds - direct placement	\$ 6,612,000	\$ -0-	\$ 324,000	\$ 6,288,000	\$ 6,288,000	\$ -0-
2013B Bonds - direct placement	3,637,000	-0-	1,543,000	2,094,000	2,094,000	-0-
2019 Bonds - direct placement	11,581,000	-0-	742,000	10,839,000	10,839,000	-0-
Installment note	230,000	-0-	60,000	170,000	60,000	110,000
	<u>\$ 22,060,000</u>	<u>\$ -0-</u>	<u>\$ 2,669,000</u>	<u>\$ 19,391,000</u>	<u>\$ 19,281,000</u>	<u>\$ 110,000</u>

9. LINE OF CREDIT

The Hospital obtained a line of credit from a local financial institution for \$3,000,000 in November 2023 that expires in November 2024. The interest rate is fixed at 8%. There were no amounts outstanding on the line of credit as of December 31, 2023 and it has not been renewed as of the date of these financial statements.

10. SBITA AND LEASE LIABILITY

In 2022, the Hospital implemented the guidance of GASB No. 87, for accounting and reporting leases that had previously been reported as operating leases. In 2023, the Hospital implemented the guidance of GASB 96 for accounting and reporting SBITAs that had previously not been reported on the statement of net position. Under these GASB statements, the Hospital recognized intangible right-to-use assets and corresponding lease and SBITA liabilities in the statements of net position.

GASB 87

Equipment Lease

The Hospital leases Magnetic Resonance Imaging (MRI) equipment for a term of 4.75 years. The lease requires a minimum monthly lease payment of \$23,288, plus additional charges for excess usage and excluding applicable taxes. The Hospital will make the payments on the lease until the agreement expires in July 2024. For purposes of discounting future payments on the equipment lease, the Hospital used the interest rate (1.69%) stated in the equipment lease agreement. The leased equipment and accumulated amortization of the right-to-use assets are outlined in Note 7.

MEMORIAL HOSPITAL OF LOGANSPOUR

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

Building Leases

The Hospital leases various building space for terms ranging from 8 years to 16 years. The leases require minimum monthly lease payments ranging from \$4,552 to \$18,398, plus additional charges for excess usage and excluding applicable taxes. The Hospital will make the payments on the leases until the agreements expires in November 2028 and February 2038. For purposes of discounting future payments on the equipment lease, the Hospital used their incremental borrowing rate (4.25%). The leased equipment and accumulated amortization of the right-to-use assets are outlined in Note 7.

GASB 96

In 2023, the Hospital adopted the guidance in GASB 96 for accounting and reporting SBITAs that had previously been reported as expenses. Under this GASB statement, the Hospital recognized SBITA liabilities and SBITA assets in the financial statements. At implementation of GASB 96 and the commencement of SBITAs beginning after January 1, 2022, the Hospital initially measured the lease SBITA liability at the present value of payments expected to be made during the remaining SBITA term. Subsequently, the SBITA liability is reduced by the principal portion of payments made. The SBITA asset was initially measured as the initial amount of the SBITA liability, adjusted for SBITA payments made at or before SBITA commencement date, plus certain initial direct costs. Subsequently, the SBITA asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to SBITAs include how the Hospital determines (1) the discount rate it uses to discount the expected SBITA payments to present value, (2) SBITA term and (3) SBITA payments. The Hospital uses the interest rate charged by the lessor or software subscription provider as the discount rate. When the interest rate charged by the lessor or software subscription provider is not provided, the Hospital generally uses its estimated incremental borrowing rate as the discount rate for SBITAs. The SBITA term includes the noncancellable period of the subscription. SBITA payments included in the measurement of the SBITA liability are composed of fixed payments. The Hospital monitors changes in circumstances that would require a remeasurement of its SBITAs and will remeasure the SBITA asset and liability if certain changes occur that are expected to significantly affect the amount of the SBITA liability.

SBITA agreements under GASB 96 for the Hospital include its electronic health record system that runs through 2028. The SBITA agreement has monthly minimum required payments of approximately \$140,000. The present value of the SBITAs was determined using a discount rate based on the Hospital's incremental borrowing rate of 5.50%. The SBITA and accumulated amortization of the right-to-use asset is outlined in Note 7. The prior period adjustment is discussed in Note 2.

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

The progression of long-term lease and SBITA liability progression activity for 2023 and 2022 is as follows:

	Restated Balance at December 31, 2022	Additions	Remeasurements	Reductions	Balance at December 31, 2023	Current portion	Long-term portion
Lease and SBITA liabilities							
Right-of-use lease liabilities	\$ 3,150,667	\$ -0-	\$ -0-	\$ 434,890	\$ 2,715,777	\$ 309,793	\$ 2,405,984
SBITA	9,117,431	-0-	-0-	1,999,353	7,118,078	1,321,968	5,796,110
	<u>\$ 12,268,098</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 2,434,243</u>	<u>\$ 9,833,855</u>	<u>\$ 1,631,761</u>	<u>\$ 8,202,094</u>
	Restated Balance at December 31, 2021	Additional borrowings	Remeasurements	Reductions	Restated Balance at December 31, 2022	Current portion	Long-term portion
Lease and SBITA liabilities							
Right-of-use lease liabilities	\$ 1,007,060	\$ 2,559,758	\$ -0-	\$ 416,151	\$ 3,150,667	\$ 436,786	\$ 2,713,881
SBITA	11,090,172	-0-	-0-	1,972,741	9,117,431	1,999,353	7,118,078
	<u>\$ 12,097,232</u>	<u>\$ 2,559,758</u>	<u>\$ -0-</u>	<u>\$ 2,388,892</u>	<u>\$ 12,268,098</u>	<u>\$ 2,436,139</u>	<u>\$ 9,831,959</u>

There were no remeasurements during 2023 and 2022. Scheduled principal and interest payments on lease and SBITA liabilities for the years succeeding December 31, 2023 are as follows:

	Equipment Leases			Building Leases			SBITA			Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 186,370	\$ 9,499	\$ 195,869	\$ 123,423	\$ 97,346	\$ 220,769	\$ 1,321,968	\$ 358,500	\$ 1,680,468	\$ 1,631,761	\$ 465,345	\$ 2,097,106
2025	47,796	6,829	54,625	128,772	91,997	220,769	1,396,538	283,930	1,680,468	1,573,106	382,756	1,955,862
2026	49,868	4,757	54,625	134,353	86,416	220,769	1,475,313	205,155	1,680,468	1,659,534	296,328	1,955,862
2027	52,030	2,595	54,625	140,175	80,594	220,769	1,558,533	121,935	1,680,468	1,750,738	205,124	1,955,862
2028	49,024	1,048	50,072	146,250	74,915	221,165	1,365,726	34,664	1,400,390	1,561,000	110,627	1,671,627
Thereafter	-0-	-0-	-0-	1,657,716	350,056	2,007,772	-0-	-0-	-0-	1,657,716	350,056	2,007,772
	<u>\$ 385,088</u>	<u>\$ 24,728</u>	<u>\$ 409,816</u>	<u>\$ 2,330,689</u>	<u>\$ 781,324</u>	<u>\$ 3,112,013</u>	<u>\$ 7,118,078</u>	<u>\$ 1,004,184</u>	<u>\$ 8,122,262</u>	<u>\$ 9,833,855</u>	<u>\$ 1,810,236</u>	<u>\$ 11,644,091</u>

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

11. NET PATIENT REVENUE

Net patient revenue consists of the following on December 31:

	2023	2022
Inpatient revenue	\$ 40,351,971	\$ 42,190,202
Outpatient revenue	281,260,541	247,465,581
Long term care	5,636,840	10,892,679
Gross patient revenue	327,249,352	300,548,462
Contractual allowances	(209,414,810)	(178,035,970)
Charity care	(1,955,497)	(1,582,490)
Bad debt expense	(8,990,260)	(8,347,120)
Deductions from revenue	(220,360,567)	(187,965,580)
Net patient revenue	\$ 106,888,785	\$ 112,582,882

12. EMPLOYEE HEALTH PLAN

The Hospital is self-insured for employee health claims. A third-party administrator processes the claims for the Hospital. The plan has annual reinsurance coverage starting at a specific level of \$300,000 per individual with no lifetime maximum reimbursement per covered person. The Hospital maintains an estimated liability for the amount of claims incurred but not reported. The Hospital maintains reinsurance including a stop loss for specific incident claims over a stipulated amount per year. Substantially all employees are covered for major medical benefits.

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.

Changes in the balance of claim liabilities during the past two years are as follows:

	2023	2022
Unpaid claims, beginning of year	\$ 1,403,440	\$ 1,419,480
Incurred claims and costs	7,305,627	9,550,981
Claim payments	(7,675,781)	(9,567,021)
Unpaid claims, end of year	\$ 1,033,286	\$ 1,403,440

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

13. PENSION PLAN

Plan Description

The Hospital has a defined contribution pension plan, the Memorial Hospital of Logansport 403(b) Matching Plan (403(b) Plan), as authorized by Indiana Code 16-22-3-11, which is administered by the Hospital. The contribution requirements of plan members are established by the written agreement between the Hospital Board of Trustees and ING National Trust, ING Financial Advisors, LLC, and ING Life Insurance and Annuity Company, as the plan administrators. If an employee chooses to participate in the 403(b) portion of the plan, the Hospital will match employee contributions up to 2% of gross wages. Hospital contributions to the plan were approximately \$484,000 and \$452,000 for 2023 and 2022, respectively, and reflected as salaries and benefits in the statements revenues, expenses, and changes in net position.

14. CONCENTRATIONS OF CREDIT RISK

The Hospital is located in Logansport, Indiana. The Hospital grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. Gross accounts receivable and revenues from self-pay and third-party payors were as follows on December 31 and for the year then ended:

	Receivables		Revenues	
	2023	2022	2023	2022
Medicare	37%	32%	42%	40%
Medicaid	22%	15%	23%	26%
Blue Cross/Anthem	12%	12%	17%	17%
Commercial	18%	18%	16%	15%
Self-pay	11%	23%	2%	2%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

15. COMMITMENTS AND CONTINGENCIES

Litigation

The Hospital is currently in litigation with the manager of the operations of its two long-term care facilities. The long-term care facilities' motion for partial summary judgment was denied during August 2024 and the litigation will proceed with a jury trial. The litigation relates to amounts owed related to operating losses and capital purchases made at the facilities. The Hospital plans to vigorously defend itself related to this matter. No liability has been accrued for any potential outcome of this litigation as the outcome is uncertain and is not able to be estimated as of the date of this report.

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

The Hospital settled litigation with a provider of various reimbursement and other consulting services (the Consultant) to the Hospital. The dispute revolved around certain contingency and other fees that the Consultant claimed were owed to them, and the Hospital disputed the methodology used to calculate the fees, and believed the fees were inconsistent with the agreed-upon terms or were not appropriately reflective of the services provided. A liability related to the settlement of the litigation of approximately \$1,000,000 has been accrued within accounts payable and accrued expenses and other long-term liabilities in the statements of net position at December 31, 2023.

Scheduled payments on the liability for the years succeeding December 31, 2023 are as follows:

Years Ending December 31,	
2024	\$ 190,000
2025	360,000
2026	360,000
2027	90,000
	<u>\$ 1,000,000</u>

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

Malpractice Insurance

The Indiana Medical Malpractice Act, IC 34-18 (the Act) provides a maximum recovery of \$1,800,000. 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.

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, there is no related accrual recorded as of December 31, 2023 and 2022. It is reasonably possible that this estimate could change materially in the near term.

The Hospital purchases premium insurance to cover its exposure of \$500,000 per event and \$10,000,000 aggregate liability for Hospital and HPR operations.

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

16. BLENDED COMPONENT UNITS

The Hospital's financial statements include the accounts of its blended component units. Separate financial statements related to these component units may be obtained by contacting Hospital management. Below is condensed financial information related to HPR and the Foundation as of and for the year ended December 31, 2023:

	2023		
	HPR	Foundation	Total
Cash and cash equivalents	\$ 187,921	\$ 267,631	\$ 455,552
Patient accounts receivable, net	106,636	-0-	106,636
Supplies and other current assets	275,556	40,899	316,455
Total current assets	570,113	308,530	878,643
Assets limited as to use	-0-	2,605,228	2,605,228
Capital assets	22,020	692,859	714,879
Total assets	<u>\$ 592,133</u>	<u>\$ 3,606,617</u>	<u>\$ 4,198,750</u>
Accounts payable and accrued expenses	\$ 65,651	\$ 12,143	\$ 77,794
Due to Hospital	30,524	-0-	30,524
Total current liabilities	96,175	12,143	108,318
Net position	495,958	3,594,474	4,090,432
Total liabilities and net position	<u>\$ 592,133</u>	<u>\$ 3,606,617</u>	<u>\$ 4,198,750</u>
Total operating revenue	\$ 1,824,786	\$ -0-	\$ 1,824,786
Total non-operating loss	49,862	321,607	371,469
Total revenue	1,874,648	321,607	2,196,255
Salaries and benefits	304,132	-0-	304,132
Other professional fees	12,725	750	13,475
Medical supplies and drugs	1,507,791	-0-	1,507,791
Depreciation	9,872	10,707	20,579
Rent and leases	30,400	-0-	30,400
Purchased services and other	109,050	-0-	109,050
Total expenses	1,973,970	11,457	1,985,427
Change in net position	<u>\$ (199,322)</u>	<u>\$ 310,150</u>	<u>\$ 110,828</u>
Cash flows from activities			
Operating	\$ (76,102)	\$ 10,799	\$ (65,303)
Noncapital financing	(53,824)	23,691	(30,133)
Capital and related financing activities	(9,015)	13,597	4,582
Investing	3,686	20,282	23,968
Net change in cash and cash equivalents	<u>\$ (135,255)</u>	<u>\$ 68,369</u>	<u>\$ (66,886)</u>

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

Below is condensed financial information related to HPR and the Foundation as of and for the year ended December 31, 2022:

	2022		
	HPR	Foundation	Total
Cash and cash equivalents	\$ 323,176	\$ 199,262	\$ 522,438
Patient accounts receivable, net	173,523	-0-	173,523
Supplies and other current assets	242,146	54,496	296,642
Total current assets	738,845	253,758	992,603
Assets limited as to use	-0-	2,327,594	2,327,594
Capital assets	22,877	703,566	726,443
Total assets	<u>\$ 761,722</u>	<u>\$ 3,284,918</u>	<u>\$ 4,046,640</u>
Accounts payable and accrued expenses	\$ 36,430	\$ 594	\$ 37,024
Due to Hospital	30,012	-0-	30,012
Total current liabilities	66,442	594	67,036
Net position	695,280	3,284,324	3,979,604
Total liabilities and net position	<u>\$ 761,722</u>	<u>\$ 3,284,918</u>	<u>\$ 4,046,640</u>
Total operating revenue	\$ 1,890,611	\$ -0-	\$ 1,890,611
Total non-operating income	(30,340)	(129,510)	(159,850)
Total revenue	1,860,271	(129,510)	1,730,761
Salaries and benefits	318,899	-0-	318,899
Other professional fees	11,409	5,950	17,359
Medical supplies and drugs	1,310,622	-0-	1,310,622
Depreciation	13,169	10,705	23,874
Rent and leases	27,867	-0-	27,867
Purchased services and other	116,486	-0-	116,486
Total expenses	1,798,452	16,655	1,815,107
Change in net position	<u>\$ 61,819</u>	<u>\$ (146,165)</u>	<u>\$ (84,346)</u>
Cash flows from activities			
Operating	\$ 35,237	\$ (5,356)	\$ 29,881
Noncapital financing	(31,449)	55,403	23,954
Capital and related financing activities	-0-	(15,982)	(15,982)
Investing	1,109	8,634	9,743
Net change in cash and cash equivalents	<u>\$ 4,897</u>	<u>\$ 42,699</u>	<u>\$ 47,596</u>

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

17. MANAGEMENT'S PLAN AND SUBSEQUENT EVENT

As shown in the accompanying financial statements, the Hospital experienced operating losses in 2023 and 2022. The net days cash on hand decreased from approximately 87 to 26 from December 31, 2022 to December 31, 2023, primarily due to operating losses and the payoff of the 2013 and 2019 Bonds during August 2023. Management obtained a \$3,000,000 line of credit with a local financial institution during November 2023 that expires in November 2024 to help enhance potential liquidity. During September 2024, the Board of County Commissioners of Cass County approved an appropriation of \$3,000,000 to the Hospital to assist with capital improvement projects and general operations. The agreement stipulates that the amount shall be treated as a forgivable loan after five years from the date of the agreement, so long as the Hospital is not sold during that time.

Certain operational improvement initiatives to enhance revenue, streamline operations, and reduce costs are being implemented by management. Management is analyzing strategies to improve volumes and is concurrently pursuing opportunities to enhance liquidity. As part of these initiatives, management is strategically analyzing operations to curtail and contain costs. As part of the revenue enhancements, management is reviewing various reimbursement/payment options and working to improve revenue cycle operations. Management has instituted a detailed cash flow budgeting process to monitor the results of the ongoing changes. Based on these measures, management expects the Hospital to continue as a going concern for at least one year from the statement of financial position date. Furthermore, management and the board of directors are actively exploring all strategic options to stabilize cash flow and ensure the continued success of the Hospital. Management expects the combination of cost reductions, operational changes, revenue, and liquidity enhancements to stabilize cash flow and the bottom line.



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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 THE FINANCIAL
 STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees
 Memorial Hospital of Logansport
 Logansport, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Memorial Hospital of Logansport (the Hospital), which comprise the statement of net position as of December 31, 2023, 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 September 23, 2024.

Report on 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 the 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.

MEMORIAL HOSPITAL OF LOGANSPOUT, INC.

SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED DECEMBER 31, 2023

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2023-001 to be a significant deficiency.

Report on 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*.

Hospital's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Hospital's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The Hospital's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 Hospital'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
September 23, 2024

MEMORIAL HOSPITAL OF LOGANSPOUT, INC.

SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED DECEMBER 31, 2023

2023-001 – Significant deficiency related to Accounts Payable Cutoff

Criteria – Invoices should be recorded in the period when goods or services are received, not based on invoice date, to ensure accurate financial reporting.

Condition – Our audit identified that the Hospital did not properly apply accounts payable cutoff procedures by reviewing subsequent disbursements for proper inclusion or exclusion from accounts payable at year-end.

Cause – Due to changes in accounting personnel, management experienced difficulties in obtaining and assimilating information related to accounts payable cutoff procedures.

Effect – The accounts payable balance was understated as of December 31, 2023.

Recommendation – We recommend that management record invoices by invoice date in the proper period of activity. We also recommend that management develop a process to review subsequent disbursements for proper inclusion or exclusion from accounts payable at year-end as part of the financial close process, which will strengthen controls for monitoring and recording of accounts payable.

Views of Responsible Officials and Planned Corrective Action – Management concurs with the recommendation and is in the process of reviewing, revising and formally documenting processes surrounding the process to review subsequent disbursements for proper inclusion or exclusion from accounts payable at year-end.

MEMORIAL HOSPITAL OF LOGANSPOUT, INC.

SCHEDULE OF PRIOR YEAR FINDINGS AND THEIR RESPONSES YEAR ENDED DECEMBER 31, 2022

The following finding was reported for the year ended December 31, 2022:

2022-001 – Material Weakness related to Accounts Receivable Estimates

Condition – The model was not updated or prepared timely during 2022 using up-to-date accurate information.

Recommendation – We recommend the Hospital prepare the contractual and bad debt model on a monthly basis using up-to-date information and verify amounts calculated in the model reconcile to the amounts reported in the financial statements.

Current Status – Cleared. The Hospital prepared the contractual and bad debt model using up-to-date information and verified amounts calculated in the model reconcile to the amounts reported in the financial statements.