



MARGARET MARY HEALTH

CONSOLIDATED FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

DECEMBER 31, 2023 AND 2022

CPAs / ADVISORS



MARGARET MARY HEALTH

TABLE OF CONTENTS DECEMBER 31, 2023 AND 2022

| | Page |
|--|------|
| Report of Independent Auditors | 1 |
| Consolidated Financial Statements | |
| Consolidated Balance Sheets | 4 |
| Consolidated Statements of Operations and Changes in Net Assets..... | 6 |
| Consolidated Statements of Functional Expenses..... | 7 |
| Consolidated Statements of Cash Flows..... | 8 |
| Notes to Consolidated Financial Statements..... | 9 |
| Supplementary Information | |
| Consolidating Balance Sheet - December 31, 2023..... | 32 |
| Consolidating Statement of Operations and Changes in Net Assets – Year Ended December 31, 2023..... | 33 |
| Consolidating Balance Sheet - December 31, 2022..... | 34 |
| Consolidating Statement of Operations and Changes in Net Assets – Year Ended December 31, 2022..... | 35 |



Blue & Co., LLC / 500 N. Meridian Street, Suite 200 / Indianapolis, IN 46204
main 317.633.4705 fax 317.633.4889 email blue@blueandco.com

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Margaret Mary Health
Batesville, Indiana

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Margaret Mary Community Hospital, Inc. d/b/a Margaret Mary Health (the Hospital), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated 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 assets 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated 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 discussed in Note 2 to the consolidated financial statements, the Hospital adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-13, *Financial Instruments – Credit Losses (Topic 326)*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

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

Board of Directors
Margaret Mary Health
Batesville, Indiana

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Board of Directors
Margaret Mary Health
Batesville, Indiana

Supplementary Information

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

Blue & Co., LLC

Indianapolis, Indiana
April 30, 2024

MARGARET MARY HEALTH

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2023 AND 2022

| | 2023 | 2022 |
|---|-----------------------|-----------------------|
| ASSETS | | |
| Current assets | | |
| Cash | \$ 6,805,060 | \$ 6,284,381 |
| Patient accounts receivable | 16,911,555 | 17,116,362 |
| Inventories and other current assets | 4,209,591 | 7,730,819 |
| Current portion of assets whose use is limited | 2,235,935 | 2,157,943 |
| Total current assets | 30,162,141 | 33,289,505 |
| Assets whose use is limited | | |
| Board designated for capital improvements | 98,030,311 | 87,045,553 |
| Board designated for retirement plans | 2,613,244 | 2,431,317 |
| Held by Foundation | 4,869,100 | 3,728,451 |
| Donor restricted | 1,659,894 | 1,541,902 |
| Held by trustee for debt service | 121,960 | 118,627 |
| | 107,294,509 | 94,865,850 |
| Current portion | (2,235,935) | (2,157,943) |
| Assets whose use is limited - noncurrent | 105,058,574 | 92,707,907 |
| Other assets | | |
| Property and equipment, net | 49,848,532 | 50,321,989 |
| Right-of-use assets under financing leases, net | -0- | 154,304 |
| Right-of-use assets under operating leases, net | 230,490 | 279,656 |
| Total other assets | 50,079,022 | 50,755,949 |
| Total assets | <u>\$ 185,299,737</u> | <u>\$ 176,753,361</u> |

See accompanying notes to consolidated financial statements.

MARGARET MARY HEALTH

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2023 AND 2022

LIABILITIES AND NET ASSETS

| | 2023 | 2022 |
|--|----------------|----------------|
| Current liabilities | | |
| Accounts payable | \$ 1,364,470 | \$ 2,178,324 |
| Accrued wages and related liabilities | 7,536,764 | 9,384,783 |
| Estimated third-party settlements | 1,467,808 | 3,153,308 |
| Other current liabilities | 419,009 | 1,109,507 |
| Current portion of long-term debt | 2,235,935 | 2,157,943 |
| Current portion of financing leases | -0- | 154,906 |
| Current portion of operating leases | 49,166 | 49,166 |
| Total current liabilities | 13,073,152 | 18,187,937 |
| Long-term liabilities | | |
| Derivative liability | 196,569 | 232,193 |
| Long-term debt, less current portion | 10,484,328 | 12,702,445 |
| Operating leases, less current portion | 181,324 | 230,490 |
| Other long-term liabilities | 1,353,244 | 1,177,964 |
| Total long-term liabilities | 12,215,465 | 14,343,092 |
| Total liabilities | 25,288,617 | 32,531,029 |
| Net assets | | |
| Without donor restrictions | | |
| Undesignated | 57,707,671 | 53,203,560 |
| Board designated | 100,643,555 | 89,476,870 |
| Total without donor restrictions | 158,351,226 | 142,680,430 |
| With donor restrictions | 1,659,894 | 1,541,902 |
| Total net assets | 160,011,120 | 144,222,332 |
| Total liabilities and net assets | \$ 185,299,737 | \$ 176,753,361 |

See accompanying notes to consolidated financial statements.

MARGARET MARY HEALTH

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS YEARS ENDED DECEMBER 31, 2023 AND 2022

| | 2023 | 2022 |
|--|----------------|----------------|
| Revenues | | |
| Patient service revenue | \$ 127,910,974 | \$ 124,518,672 |
| Other operating revenue | 1,860,453 | 6,145,731 |
| Total revenues | 129,771,427 | 130,664,403 |
| Expenses | | |
| Salaries and wages | 51,964,973 | 51,701,274 |
| Employee benefits | 14,731,771 | 18,084,181 |
| Physician fees | 8,430,714 | 7,753,846 |
| Medical and surgical supplies | 20,410,048 | 18,585,885 |
| Purchased services | 11,546,608 | 13,002,843 |
| Utilities | 1,382,653 | 1,612,970 |
| Insurance | 1,022,379 | 862,518 |
| Depreciation | 7,143,102 | 7,641,056 |
| Interest | 670,577 | 713,666 |
| Other | 9,663,773 | 9,021,605 |
| Total expenses | 126,966,598 | 128,979,844 |
| Operating income | 2,804,829 | 1,684,559 |
| Nonoperating revenues (expenses) | | |
| Contributions and other | 328,711 | 497,135 |
| Investment return (loss), net | 12,462,708 | (13,644,067) |
| Unrealized gain on derivative | 35,624 | 843,544 |
| Net assets released from restrictions | 38,924 | 42,843 |
| Total nonoperating revenues (expenses) | 12,865,967 | (12,260,545) |
| Revenues over (under) expenses | 15,670,796 | (10,575,986) |
| Net assets with donor restrictions | | |
| Contributions | 156,916 | 141,397 |
| Net assets released from restrictions | (38,924) | (42,843) |
| Change in net assets with donor restrictions | 117,992 | 98,554 |
| Change in net assets | 15,788,788 | (10,477,432) |
| Net assets | | |
| Beginning of year | 144,222,332 | 154,699,764 |
| End of year | \$ 160,011,120 | \$ 144,222,332 |

See accompanying notes to consolidated financial statements.

MARGARET MARY HEALTH

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2023 AND 2022

| | 2023 | | | | 2022 | | | |
|-------------------------------|-----------------------|----------------------------|-------------------|-----------------------|-----------------------|----------------------------|-------------------|-----------------------|
| | Health Care Services | General and Administrative | Fundraising | Total | Health Care Services | General and Administrative | Fundraising | Total |
| Expenses | | | | | | | | |
| Salaries and wages | \$ 40,808,338 | \$ 11,034,076 | \$ 122,559 | \$ 51,964,973 | \$ 41,169,292 | \$ 10,354,642 | \$ 177,340 | \$ 51,701,274 |
| Employee benefits | 11,568,929 | 3,128,097 | 34,745 | 14,731,771 | 14,400,282 | 3,621,869 | 62,030 | 18,084,181 |
| Physician fees | 8,430,714 | -0- | -0- | 8,430,714 | 7,753,846 | -0- | -0- | 7,753,846 |
| Medical and surgical supplies | 20,328,489 | 81,559 | -0- | 20,410,048 | 18,502,417 | 83,468 | -0- | 18,585,885 |
| Purchased services | 4,644,812 | 6,882,598 | 19,198 | 11,546,608 | 6,099,461 | 6,882,837 | 20,545 | 13,002,843 |
| Utilities | 1,106,856 | 271,911 | 3,886 | 1,382,653 | 1,292,171 | 315,530 | 5,269 | 1,612,970 |
| Insurance | 921,731 | 99,230 | 1,418 | 1,022,379 | 781,939 | 79,256 | 1,323 | 862,518 |
| Depreciation | 5,718,271 | 1,404,757 | 20,074 | 7,143,102 | 6,121,346 | 1,494,751 | 24,959 | 7,641,056 |
| Interest | 536,817 | 131,876 | 1,884 | 670,577 | 571,727 | 139,608 | 2,331 | 713,666 |
| Other | 7,575,683 | 1,935,045 | 153,045 | 9,663,773 | 6,634,899 | 2,259,204 | 127,502 | 9,021,605 |
| Total expenses | <u>\$ 101,640,640</u> | <u>\$ 24,969,149</u> | <u>\$ 356,809</u> | <u>\$ 126,966,598</u> | <u>\$ 103,327,380</u> | <u>\$ 25,231,165</u> | <u>\$ 421,299</u> | <u>\$ 128,979,844</u> |

See accompanying notes to consolidated financial statements.

MARGARET MARY HEALTH

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

| | 2023 | 2022 |
|--|---------------|-----------------|
| Operating activities | | |
| Change in net assets | \$ 15,788,788 | \$ (10,477,432) |
| Adjustments to reconcile change in net assets to net cash flows from operating activities | | |
| Depreciation | 7,143,102 | 7,641,056 |
| Amortization of debt issue costs | 17,302 | 17,302 |
| Realized and unrealized (gain) loss on investments | (12,417,563) | 18,239,897 |
| (Gain) loss on disposal of property and equipment | 20,306 | (160,756) |
| Unrealized gain on derivative | (35,624) | (843,544) |
| Change in operating assets and liabilities | | |
| Patient accounts receivable | 204,807 | 1,463,581 |
| Inventories and other current assets | 3,521,228 | (2,724,409) |
| Right-of-use assets under operating leases | 49,166 | (279,656) |
| Accounts payable | (813,854) | (3,665,712) |
| Accrued wages and related liabilities | (1,848,019) | 812,380 |
| Refundable advances | -0- | (2,803,364) |
| Estimated third-party settlements | (1,685,500) | (651,692) |
| Other current liabilities | (690,498) | (10,403,956) |
| Operating lease liabilities | (49,166) | 279,656 |
| Other long-term liabilities | 175,280 | (67,771) |
| Net cash flows from operating activities | 9,379,755 | (3,624,420) |
| Investing activities | | |
| Proceeds from sale of investments | 115,921,463 | 22,285,732 |
| Purchases of investments | (115,932,559) | (11,661,002) |
| Proceeds from disposal of property and equipment | 3,426 | 217,734 |
| Additions to property and equipment | (6,539,073) | (5,781,845) |
| Net cash flows from investing activities | (6,546,743) | 5,060,619 |
| Financing activities | | |
| Payments on long-term debt | (2,157,427) | (2,091,205) |
| Payments on financing lease liabilities | (154,906) | (153,702) |
| Net cash flows from financing activities | (2,312,333) | (2,244,907) |
| Net change in cash | 520,679 | (808,708) |
| Cash | | |
| Beginning of year | 6,284,381 | 7,093,089 |
| End of year | \$ 6,805,060 | \$ 6,284,381 |
| Supplemental disclosure of cash flows information | | |
| Cash paid for interest | \$ 645,902 | \$ 730,807 |

See accompanying notes to consolidated financial statements.

MARGARET MARY HEALTH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

1. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by Margaret Mary Health (the Hospital) in the preparation of its consolidated financial statements are summarized below:

Organization

The Hospital, located in Batesville, Indiana, is a not-for-profit acute care hospital providing inpatient, outpatient, and other ancillary services to the residents of Ripley and surrounding counties. Admitting physicians are primarily practitioners in the local area. The Hospital is the sole corporate member of Margaret Mary Health Foundation, Inc. (the Foundation). The Foundation supports the efforts and activities of the Hospital in the furtherance of the Hospital's charitable purposes and benefits the community served by the Hospital.

Principles of Consolidation

The accompanying consolidated financial statements include accounts of the Hospital and the Foundation. Because the Hospital is the sole corporate member of the Foundation, the financial position, results of operations and cash flows of the Foundation are included with the Hospital for financial reporting purposes. All material intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

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

Cash

The Hospital maintains its cash in bank deposits accounts which, at times may exceed federally insured limits. The Hospital has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash. Cash consists primarily of money market and checking accounts and excludes amounts held by the Hospital's fund managers included in assets whose use is limited.

Patient Accounts Receivable

Patient accounts receivable are recorded at net realizable value based on certain assumptions determined by each payor. For third-party payors including Medicare, Medicaid, Blue Cross and others, the net realizable value is based on the estimated contractual reimbursement percentage, which is based on current contract prices or historical paid claims data by payor. For self-pay accounts receivable, which includes patients who are uninsured and the patient responsibility portion for patients with insurance, the net realizable value is determined using estimates of historical collection experience without regard to aging category. These estimates are adjusted for estimated conversions of patient responsibility portions, expected recoveries and any anticipated changes in trends.

MARGARET MARY HEALTH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

Patient accounts receivable can be impacted by the effectiveness of the Hospital's collection efforts. Additionally, significant changes in payor mix, business office operations, economic conditions or trends in federal and state governmental healthcare coverage could affect the net realizable value of accounts receivable. The Hospital also continually reviews the net realizable value of accounts receivable by monitoring historical cash collections as a percentage of trailing net operating revenues, as well as by analyzing current period net revenue and admissions by payor classification, aged accounts receivable by payor, days revenue outstanding, the composition of self-pay receivables between pure self-pay patients and the patient responsibility portion of third-party insured receivables and the impact of recent acquisitions and dispositions. Final settlements for some payors and programs are subject to adjustment based on administrative review and audit by third parties. As a result of these final settlements, the Hospital has recorded estimated third-party settlements. Patient accounts receivable as of January 1, 2022 was approximately \$18,580,000.

Patient Service Revenue

Patient care service revenue is reported at the amount that reflects the consideration to which the Hospital expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government payors), and others and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Hospital bills the patients and third-party payors several days after the services are performed or the patient is discharged from the facility. Revenue is recognized as the performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Hospital. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Hospital believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving inpatient acute care services or patients receiving services in outpatient centers or in their homes (home care). The Hospital measures the performance obligation from admission into the Hospital, or the commencement of an outpatient service, to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or completion of the outpatient services. The method of reimbursement for the Hospital is fee for service. The timing of revenue and recognition for healthcare services is transferred over time.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Hospital has elected to apply the optional exemption provided in Financial Accounting Standards Board's Accounting Standards Codification 606-10-50-14a and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to previously are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

MARGARET MARY HEALTH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

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

Agreements with third-party payors provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Medicare

- 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 classified as Critical Access Status by Medicare and is paid for Medicare services based upon a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at an interim rate, with final settlement determined after submission of annual cost reports. 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.

Medicaid and Hospital Assessment Fee and Healthy Indiana Plan Programs

- The Hospital is reimbursed for Medicaid inpatient services under a prospectively determined rate-per-discharge and is not subject to retroactive adjustment. The differences between standard charges and reimbursement from these programs are recorded as contractual adjustments. Reimbursement for Medicaid outpatient services is based on predetermined rates, and is not subject to retroactive cost-based settlements.
- The Hospital participates in the Hospital Assessment Fee (HAF) Program which was approved by Centers for Medicare & Medicaid Services. The purpose of HAF is to fund the State share of enhanced Medicaid payments and Medicaid Disproportionate Share payments for Indiana hospitals. 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. Hospitals also fund the Healthy Indiana Plan (HIP), the State's Medicaid expansion program. The payments related to HIP mirror the Medicaid payments under HAF, but the funding includes physician, state administration, and certain non-hospital expenditures. During 2023 and 2022, the Hospital recognized HAF and HIP program expense of approximately \$6,636,000 and \$5,529,000, respectively, which resulted in Medicaid rate increases. The HAF and HIP program expense is included in other expenses in the consolidated statements of operations and changes in net assets. The Medicaid rate increases under HAF and HIP are included in patient service revenue in the consolidated statements of operations and changes in net assets.

MARGARET MARY HEALTH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

Other Payment Arrangements

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

The difference between computed reimbursement and interim reimbursement is reflected as a receivable from or payable to the third-party program. The year-end cost reports filed with the Medicare and Medicaid programs through December 31, 2021 have been audited by these programs and any resulting differences are reflected in the consolidated financial statements. During 2023 and 2022, the differences between original estimates and subsequent revisions for the final settlement of cost reports recognized to patient service revenue were not significant to the consolidated financial statements. Estimated third-party settlements were approximately \$1,468,000, \$3,153,000, and \$3,805,000 as of December 31, 2023 and 2022 and January 1, 2022, respectively.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care providers have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in providers entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Hospital's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Hospital. In addition, the contracts the Hospital has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive revenue adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Hospital's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations.

Consistent with the Hospital's mission, care is provided to patients regardless of their ability to pay. Therefore, the Hospital has determined it has provided implicit price concessions to uninsured patients and other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represents the difference between amounts billed to patients and the amounts the Hospital expects to collect based on its collection history with those patients.

Patients who meet the Hospital's criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as charity care are not reported as revenue.

MARGARET MARY HEALTH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Hospital also provides services to uninsured patients and offers those uninsured patients a discount, either by policy or law, from standard charges. The Hospital estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions based on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

The Hospital has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors:

- Payors (for example, Medicare, Medicaid, managed care or other insurance, patient) have different reimbursement and payment methodologies
- Length of the patient's service or episode of care
- Geography of the service location
- Method of reimbursement (fee for service or capitation)
- Hospital's line of business that provided the service (for example, hospital inpatient, hospital outpatient, and so on)

For 2023 and 2022, the Hospital recognized revenue of approximately \$127,911,000 and \$124,519,000, respectively, from goods and services that transfer to the customer over time and no revenue from goods and services that transfer to the customer at a point in time. A summary of patient service revenue for 2023 and 2022 follows:

| | 2023 | 2022 |
|---------------------------|-----------------------|-----------------------|
| Patient service revenue | | |
| Inpatient | \$ 32,188,140 | \$ 28,860,211 |
| Outpatient | 303,983,651 | 281,500,843 |
| | <u>336,171,791</u> | <u>310,361,054</u> |
| Adjustments | | |
| Contractual adjustments | (198,063,392) | (177,961,794) |
| Charity care | (1,094,059) | (1,098,134) |
| Implied price concessions | (9,103,366) | (6,782,454) |
| Total adjustments | <u>(208,260,817)</u> | <u>(185,842,382)</u> |
| Patient service revenue | <u>\$ 127,910,974</u> | <u>\$ 124,518,672</u> |

MARGARET MARY HEALTH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

A summary of patient service revenue by payor type and service line for 2023 and 2022 follows:

| | 2023 | 2022 |
|--------------------------|----------------|----------------|
| Payor type | | |
| Medicare | \$ 46,232,722 | \$ 45,248,325 |
| Medicaid | 9,025,783 | 9,090,782 |
| Blue Cross | 26,370,300 | 26,646,834 |
| Other third-party payors | 42,713,657 | 40,859,960 |
| Self pay | 3,568,512 | 2,672,771 |
| | \$ 127,910,974 | \$ 124,518,672 |
| Service line | | |
| Hospital - inpatient | \$ 12,699,487 | \$ 15,538,595 |
| Hospital - outpatient | 95,115,362 | 92,485,408 |
| Physician services | 20,096,125 | 16,494,669 |
| | \$ 127,910,974 | \$ 124,518,672 |

Charity Care

The Hospital provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy. Because the Hospital does not collect amounts deemed to be charity care, they are not reported as revenue. Of the Hospital's total expenses reported, an estimated \$413,000 and \$456,000 arose from providing services to charity patients during 2023 and 2022, respectively. The estimated costs of providing charity services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on the Hospital's total expenses to gross patient service revenue. The Hospital did not change its charity care and uninsured discount policies in 2023 and 2022.

Inventories and Other Current Assets

Inventories, consisting of mainly medical supplies and pharmaceuticals, are valued at the lower of cost or net realizable value with cost being determined on an average cost method. Inventories and other current assets are comprised of the following as of December 31, 2023 and 2022:

| | 2023 | 2022 |
|----------------------|--------------|--------------|
| Other receivables | \$ 651,523 | \$ 2,176,263 |
| Stop loss receivable | -0- | 2,206,000 |
| Inventories | 1,360,638 | 1,513,421 |
| Prepaid expenses | 1,674,420 | 1,312,125 |
| Other current assets | 523,010 | 523,010 |
| | \$ 4,209,591 | \$ 7,730,819 |

MARGARET MARY HEALTH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

Property, Equipment and Depreciation

Property and equipment are recorded at historical cost except for donations, which are recorded at fair market value at the date of the donation. Property and equipment include expenditures for additions and repairs that substantially increase the useful lives of existing property and equipment. Maintenance, repairs and minor renewals are expensed as incurred. The property and equipment of the Hospital are being depreciated over their estimated useful lives using the straight-line method. The ranges of useful lives used in computing depreciation are as follows:

| <u>Description</u> | <u>Range of Useful Lives</u> |
|----------------------------|------------------------------|
| Land improvements | 12-24 years |
| Buildings and improvements | 10-40 years |
| Equipment | 3-20 years |

Gifts of long-lived assets such as land, buildings, or equipment are reported as without restrictions support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as with restrictions support. Absent explicit donor restrictions about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service. During 2023 and 2022, there were no gifts of long-lived assets with restrictions.

Assets Whose Use is Limited

Assets whose use is limited consist of short-term investments (principally cash and money market funds), corporate bonds, asset backed securities, US treasury securities, mutual funds, exchange traded funds, common stocks and institutional investments. Fair values for investments are based on quoted market prices. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. Assets limited as to use include investments designated for capital improvements and retirement plans, held by the Foundation, restricted by donors and held by trustees for debt service. Amounts required to meet current liabilities of the Hospital have been classified as current assets. Donated securities are recorded at fair market value at the date of the donation.

Institutional investments consist of funds that pursue multiple strategies to diversify risks and reduce volatility. The composite portfolios of the institutional funds include primarily corporate bonds, US treasury obligations, asset backed securities, common stocks and other investments. Institutional investments are reported at fair value as determined by the individual managers of each fund. Although the managers use their best judgment in estimating the fair value of the institutional investments, there are inherent limitations in any estimation technique. Therefore, the values reported are not necessarily indicative of the amount that the institutional investments funds could realize in a current transaction. These estimated values may differ significantly from the values that would have been used had a ready market for the investments in the institutional investment funds existed and the difference could be material. Institutional investments totaled approximately \$22,089,000 and \$-0- (20.6% and 0.0% of assets whose use is limited) as of December 31, 2023 and 2022, respectively.

MARGARET MARY HEALTH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

Investment securities are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of the Hospital's investments could occur in the near term and that such changes could materially affect the amounts reflected in the consolidated financial statements.

Other Long-Term Liabilities

Other long-term liabilities consist primarily of deferred compensation agreements and other non-current obligations. The corresponding assets related to the deferred compensation agreements are included in the noncurrent portion of assets whose use is limited.

Net Assets

Net assets, support, revenues, gains, and losses are classified based on the existence or absence of donor restrictions. Accordingly, the net assets of the Hospital are classified and reported as follows:

Net Assets without Donor Restrictions

Net assets that are currently available for operating purposes under the direction of the board or designated by the board for specific use. Net assets of approximately \$100,644,000 and \$89,477,000 as of December 31, 2023 and 2022, respectively, were designated primarily for capital improvements and funding of retirement plans.

Net Assets with Donor Restrictions

Net assets subject to donor stipulations for specific operating purposes or time restrictions. These include donor restrictions requiring the net assets be held in perpetuity or for a specified term with investment return available for operations or specific purposes. Net assets with donor restrictions were available for the following purposes as of December 31, 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|--|---------------------|---------------------|
| Subject to expenditure for specified purpose | | |
| Health and wellness | \$ 485,806 | \$ 411,987 |
| Education | 41,454 | 39,762 |
| Hospice | 286,727 | 255,673 |
| Oncology | 301,734 | 293,002 |
| Other | 96,587 | 93,892 |
| | <u>1,212,308</u> | <u>1,094,316</u> |
| Funds of perpetual duration | | |
| Various family funds | 447,586 | 447,586 |
| | <u>\$ 1,659,894</u> | <u>\$ 1,541,902</u> |

MARGARET MARY HEALTH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

All contributions are considered to be available for undesignated use unless specifically restricted by the donor. When a restriction expires, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions. Contributions that are received and whose restrictions are satisfied within the same reporting period are reported as without donor restrictions.

Net assets released from restrictions related to the satisfaction of donor restrictions and totaled approximately \$39,000 and \$43,000 for 2023 and 2022, respectively.

Performance Indicator

The consolidated statements of operations and changes in net assets include a performance indicator, revenues over (under) expenses. Changes in net assets without donor restrictions that are excluded from the performance indicator include contributions of long-lived assets.

Contributions

Unconditional promises to give cash and other assets to the Hospital are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, with donor restricted net assets are reclassified as without donor restricted net assets and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are included in nonoperating revenues (expenses) in the accompanying consolidated financial statements. The Hospital also evaluates whether a contribution is unconditional or conditional based on the absence or presence of barriers and any right of return provisions.

Federal and State Income Taxes

The Hospital and the Foundation are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code. As such, the Hospital and Foundation are generally exempt from income taxes. However, both are required to file Federal Form 990 – Return of Organization Exempt from Income Tax, which is an informational return only.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Hospital and the Foundation and recognize a tax liability if the Hospital and Foundation 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 by the Hospital and the Foundation, 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 consolidated financial statements. The Hospital and Foundation are subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

MARGARET MARY HEALTH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

The Hospital and Foundation 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).

Functional Expense Allocation

Certain costs have been allocated among the health care services, general and administrative and fundraising categories based on the actual direct expenditures and cost allocations based upon time spent by the Hospital's personnel. Other expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include utilities, insurance, depreciation and interest which are allocated based on the ratio of direct costs charged to the category to total direct costs. Although the methods used were appropriate, alternative methods may provide different results.

Costs of Borrowing

Except for capital assets acquired through gifts, contributions or capital grants, interest cost on borrowed funds, as well as interest earned on those funds, during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Advertising Costs

The Hospital's policy is to expense advertising costs when they first take place. These expenses were approximately \$469,000 and \$612,000 in 2023 and 2022, respectively.

Volunteer Services

The Hospital receives donated services from a variety of unpaid volunteers. No amounts are recognized in the accompanying consolidated statements of operations and changes in net assets because the criteria for recognition of such services does not meet the guidelines under the Financial Accounting Standards Board Accounting Standards Codification. The estimated hours related to the donated services approximated 2,900 and 2,000 in 2023 and 2022, respectively.

Going Concern Evaluation

Management evaluated whether there were conditions or events that raised substantial doubt about the Hospital's ability to continue as a going concern for a period of one year from the date the consolidated financial statements were available to be issued.

Reclassifications

Certain amounts in the prior year consolidated financial statements have been reclassified to conform with the current year presentation. Previously reported net assets and changes in net assets were not impacted by the reclassifications.

MARGARET MARY HEALTH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

Subsequent Events

The Hospital evaluated events or transactions occurring subsequent to the consolidated balance sheet date for recognition and disclosure in the accompanying consolidated financial statements through the date the consolidated financial statements were available to be issued which was April 30, 2024.

2. CHANGE IN ACCOUNTING PRINCIPLE

On January 1, 2023, the Hospital adopted Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326)*, utilizing the modified retrospective approach. This ASU replaces the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to estimate credit losses. The guidance requires financial assets measured at amortized cost to be presented at the net amount expected to be collected. The Hospital applied the guidance to financial assets measured at amortized cost (primarily accounts receivable) that existed as of January 1, 2023 (the date of initial application). The adoption of this ASU did not have a material impact on the Hospital's consolidated financial statements.

3. ASSETS WHOSE USE IS LIMITED

Assets whose use is limited consist of the following as of December 31:

| | <u>2023</u> | <u>2022</u> |
|---------------------------|-----------------------|----------------------|
| Cash | \$ 4,006,565 | \$ 1,392,630 |
| Money market mutual funds | 42,519 | 48,885 |
| Corporate bonds | 6,631,084 | -0- |
| Asset backed securities | 2,272,032 | -0- |
| US treasury securities | 6,917,181 | -0- |
| Mutual funds | 1,310,725 | 93,424,335 |
| Exchange traded funds | 36,514,508 | -0- |
| Common stocks | 27,510,885 | -0- |
| Institutional investments | 22,089,010 | -0- |
| | <u>\$ 107,294,509</u> | <u>\$ 94,865,850</u> |

MARGARET MARY HEALTH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

The following is a reconciliation of investment return (loss), net for 2023 and 2022:

| | 2023 | 2022 |
|---------------------------------------|----------------------|------------------------|
| Interest and dividends | \$ 158,611 | \$ 4,706,804 |
| Realized gain (loss) on investments | 6,287,401 | (1,794,581) |
| Unrealized gain (loss) on investments | 6,130,162 | (16,445,316) |
| Investment fees | (113,466) | (110,974) |
| Investment return (loss), net | <u>\$ 12,462,708</u> | <u>\$ (13,644,067)</u> |

4. FAIR VALUE MEASUREMENTS

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

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Hospital has the ability to access.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of December 31, 2023 and 2022:

- *Money market mutual funds*: Valued based at the subscription and redemption activity at a \$1 stable net asset value (NAV). However, on a daily basis the funds are valued at their daily NAV calculated using the amortized cost of the securities.
- *Corporate bonds and asset backed securities*: Valued using pricing models maximizing the use of observable inputs for similar securities.
- *US treasury securities*: Certain securities are valued at the closing price reported in the active market in which the individual security is traded. For certain securities that do not have an established fair value, a fair value is established based on yields currently available on comparable securities.

MARGARET MARY HEALTH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

- *Mutual funds and exchange traded 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.
- *Common stocks*: Valued based on the closing price reported on the active market on which the individual securities are traded.
- *Institutional investments*: Valued at the NAV of units of the institutional fund. The NAV, as provided by the investment manager, is used as a practical expedient to estimate fair value. The institutional investments consist primarily of corporate bonds, US treasury obligations, asset backed securities, common stocks and other investments. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. Due to the nature of the investments held by the fund, changes in market conditions and the economic environment may significantly impact the NAV of the fund and, consequently, the fair value of the Hospital's interests in the funds. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported NAV. It is therefore reasonably possible that if the Hospital were to sell these investments in the secondary market, a buyer may require a discount to the reported NAV, and the discount could be significant.
- *Derivative (Interest rate swap agreement)*: 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. See the note disclosure "Derivatives Financial Instruments – Interest Rate Swaps" for additional information related to derivatives.

MARGARET MARY HEALTH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

The following tables set forth by level, within the hierarchy, the Hospital's assets and liabilities measured at fair value on a recurring basis as of December 31, 2023 and 2022:

| | December 31, 2023 | | | |
|-----------------------------------|-----------------------|----------------------|----------------------|---------------|
| | Total | Level 1 | Level 2 | Level 3 |
| Assets | | | | |
| Assets whose use is limited | | | | |
| Money market mutual funds | \$ 42,519 | \$ -0- | \$ 42,519 | \$ -0- |
| Corporate bonds | 6,631,084 | -0- | 6,631,084 | -0- |
| Asset backed securities | 2,272,032 | -0- | 2,272,032 | -0- |
| US treasury securities | 6,917,181 | -0- | 6,917,181 | -0- |
| Mutual funds | 1,310,725 | 1,310,725 | -0- | -0- |
| Exchange traded funds | | | | |
| Foreign Large Blend | 11,113,025 | 11,113,025 | -0- | -0- |
| Small Blend | 11,653,217 | 11,653,217 | -0- | -0- |
| Mid-Cap Blend | 7,973,054 | 7,973,054 | -0- | -0- |
| Large Blend | 5,775,212 | 5,775,212 | -0- | -0- |
| Total exchange traded funds | <u>36,514,508</u> | <u>36,514,508</u> | -0- | -0- |
| Common stocks | | | | |
| Consumer Discretionary | 4,735,750 | 4,735,750 | -0- | -0- |
| Finance | 3,933,776 | 3,933,776 | -0- | -0- |
| Health Care | 3,931,102 | 3,931,102 | -0- | -0- |
| Technology | 6,333,941 | 6,333,941 | -0- | -0- |
| Other | 8,576,316 | 8,576,316 | -0- | -0- |
| Total common stocks | <u>27,510,885</u> | <u>27,510,885</u> | -0- | -0- |
| | 81,198,934 | <u>\$ 65,336,118</u> | <u>\$ 15,862,816</u> | <u>\$ -0-</u> |
| Cash | 4,006,565 | | | |
| Institutional investments (a) | <u>22,089,010</u> | | | |
| Total assets whose use is limited | <u>\$ 107,294,509</u> | | | |
| Liabilities | | | | |
| Derivative | <u>\$ 196,569</u> | <u>\$ -0-</u> | <u>\$ 196,569</u> | <u>\$ -0-</u> |

(a) In accordance with Subtopic 820-10, certain investments that were measured at NAV per share or its equivalent have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented at fair value in the consolidated balance sheets.

MARGARET MARY HEALTH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

| | December 31, 2022 | | | |
|-----------------------------------|-------------------|---------------|------------|---------|
| | Total | Level 1 | Level 2 | Level 3 |
| Assets | | | | |
| Assets whose use is limited | | | | |
| Money market mutual funds | \$ 48,885 | \$ -0- | \$ 48,885 | \$ -0- |
| Mutual funds | | | | |
| Foreign large blend | 12,766,754 | 12,766,754 | -0- | -0- |
| Intermediate-term bond | 7,539,725 | 7,539,725 | -0- | -0- |
| Large blend | 20,633,886 | 20,633,886 | -0- | -0- |
| Large growth | 9,471,944 | 9,471,944 | -0- | -0- |
| Large value | 20,099,414 | 20,099,414 | -0- | -0- |
| Short-term bond | 7,259,750 | 7,259,750 | -0- | -0- |
| Other | 15,652,862 | 15,652,862 | -0- | -0- |
| Total mutual funds | 93,424,335 | 93,424,335 | -0- | -0- |
| | 93,473,220 | \$ 93,424,335 | \$ 48,885 | \$ -0- |
| Cash | 1,392,630 | | | |
| Total assets whose use is limited | \$ 94,865,850 | | | |
| Liabilities | | | | |
| Derivative | \$ 232,193 | \$ -0- | \$ 232,193 | \$ -0- |

The following table summarizes institutional investments measured at fair value based on NAV per share as of December 31, 2023 and 2022:

| | Fair Value | |
|-----------------------------------|---------------|--------|
| | 2023 | 2022 |
| Institutional investments | | |
| Flex Income fund | \$ 11,113,512 | \$ -0- |
| Full Discretion Fixed Income fund | 10,975,498 | -0- |
| | \$ 22,089,010 | \$ -0- |

These funds are managed by Fort Washington Investment Advisors, Inc. There were no unfunded commitments as of December 31, 2023 and 2022. The redemption frequency is daily with the redemption notice periods ranging from 1 to 7 business days.

MARGARET MARY HEALTH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31:

| | 2023 | 2022 |
|-----------------------------|----------------------|----------------------|
| Land and improvements | \$ 7,202,449 | \$ 6,077,267 |
| Buildings and improvements | 80,423,905 | 80,456,841 |
| Fixed equipment | 7,817,671 | 7,615,900 |
| Movable and minor equipment | 68,662,478 | 68,156,919 |
| | 164,106,503 | 162,306,927 |
| Accumulated depreciation | (118,995,512) | (113,056,523) |
| | 45,110,991 | 49,250,404 |
| Construction in progress | 4,737,541 | 1,071,585 |
| | <u>\$ 49,848,532</u> | <u>\$ 50,321,989</u> |

Depreciation expense for 2023 and 2022 was approximately \$7,143,000 and \$7,641,000 respectively. As of December 31, 2023, the Hospital had no significant outstanding commitments related to property and equipment.

6. LEASES

The Hospital recognizes right-of-use (ROU) assets and lease liabilities for leases with terms greater than twelve months or leases that contain a purchase option that is reasonably certain to be exercised. Leases are classified as either financing or operating leases. This classification dictates whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease.

The Hospital has operating and financing leases for office facilities and equipment, respectively. Leasing arrangements required fixed payments and also include an amount that is probable will be owed under residual value guarantees, if applicable. Lease payments also include payments related to purchase or termination options when the lessee is reasonably certain to exercise the option or is reasonably certain not to exercise the option, respectively. The Hospital's lease agreements do not contain any material restrictive covenants. The leases have remaining terms of 1 to 6 years.

The Hospital's ROU assets and lease liabilities are recognized on the lease commencement date in an amount that represents the present value of future lease payments over the lease term. The Hospital utilizes the risk-free rate commensurate to the lease term as the discount rate for its leases unless the Hospital can specifically determine the lessor's implicit rate. Certain lease contracts contain non-lease components such as maintenance and operating costs. The Hospital has made a policy election to not separate the lease and non-lease components, and thus recognize a single lease component for all its ROU assets and lease liabilities. The operating lease ROU asset also includes any lease payments made and excludes lease incentives, if any.

MARGARET MARY HEALTH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

Short-term leases (leases with an initial term of twelve months or less or leases that are cancelable by the lessee and lessor without significant penalties) are not capitalized but are expensed on a straight-line basis over the lease term. The majority of the Hospital's short-term leases relate to equipment.

In evaluating contracts to determine if they qualify as a lease, the Hospital considers factors such as if it has obtained substantially all of the rights to the underlying asset through exclusivity, if the Hospital can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. Furthermore, the Hospital assesses whether it is reasonably certain to exercise options to extend or terminate a lease considering all relevant factors that create economic incentive to exercise such options, including asset, contract, market, and entity-based factors. These evaluations may require significant judgment.

The components of the Hospital's lease cost for 2023 and 2022 are as follows:

| | 2023 | 2022 |
|-------------------------------|------------|------------|
| Operating lease cost | \$ 53,361 | \$ 52,313 |
| Financing lease cost | | |
| Amortization expense | 154,906 | 154,303 |
| Interest on lease liabilities | 655 | 1,859 |
| Total financing lease cost | 155,561 | 156,162 |
| Variable lease cost | 14,940 | 24,962 |
| Short-term lease cost | 112,165 | 104,226 |
| Total lease expense | \$ 336,027 | \$ 337,663 |

Certain of lease agreements include rental payments based on changes in the consumer price index (CPI). Lease liabilities are not remeasured as a result of changes in the CPI; instead, changes in the CPI are treated as variable lease payments and are excluded from the measurement of the right-of-use asset and lease liability. These payments are recognized in the period in which the related obligation was incurred. The Hospital's right-of-use assets and lease liabilities as of and for the year ended December 31, 2023 and 2022 are as follows:

| | 2023 | 2022 |
|---|------------|------------|
| Right-of-use assets | | |
| Financing lease assets | \$ -0- | \$ 154,304 |
| Operating lease assets | 230,490 | 279,656 |
| Total right-of-use assets | \$ 230,490 | \$ 433,960 |
| Lease liabilities | | |
| Financing lease liabilities, current | \$ -0- | \$ 154,906 |
| Operating lease liabilities, current | \$ 49,166 | \$ 49,166 |
| Operating lease liabilities, noncurrent | 181,324 | 230,490 |
| Total operating lease liabilities | \$ 230,490 | \$ 279,656 |

MARGARET MARY HEALTH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

Additional information regarding cash payments under the Hospital's operating and financing leases during 2023 and 2022, as well as the inputs used in determining the ROU assets and liabilities as of December 31, 2023 and 2022, is as follows:

| | 2023 | 2022 |
|---|------------|------------|
| Cash paid for amounts included in the measurement of the lease liabilities: | | |
| Operating cash flows from operating leases | \$ 53,361 | \$ 52,313 |
| Operating cash flows from financing leases | \$ 655 | \$ 1,859 |
| Financing cash flows from financing leases | \$ 154,906 | \$ 153,702 |
| ROU assets obtained in exchange for new operating lease liabilities | \$ -0- | \$ -0- |
| ROU assets obtained in exchange for new financing lease liabilities | \$ -0- | \$ 308,608 |
| Weighted-average remaining lease term - operating leases | 4.2 years | 5.3 years |
| Weighted-average remaining lease term - financing leases | 0 years | 1.0 years |
| Weighted-average discount rate - operating leases | 1.63% | 1.63% |
| Weighted-average discount rate - financing leases | 0.78% | 0.78% |

Future payments of operating lease liabilities are as follows:

| Year Ending December 31, | |
|------------------------------------|------------|
| 2024 | \$ 54,427 |
| 2025 | 55,515 |
| 2026 | 56,625 |
| 2027 | 57,758 |
| 2028 | 14,511 |
| Total lease payments | 238,836 |
| Interest | (8,346) |
| Present value of lease liabilities | \$ 230,490 |

7. DERIVATIVE FINANCIAL INSTRUMENTS – INTEREST RATE SWAPS

Objectives and Strategies for Using Derivatives

The Hospital makes limited use of derivative financial instruments for the purpose of managing interest rate risk. In particular, forward interest rate swaps (which are designated as cash flow hedges) are used to manage the risk associated with interest rates on variable-rate borrowings and to lower its overall borrowing costs.

As of December 31, 2023, the Hospital had outstanding an interest rate swap agreement with a financial institution, having a notional amount of \$7,115,000. The agreement effectively changes the Hospital's interest rate exposure on its Variable Rate Demand Revenue Bonds Series 2004A-1 due 2029 to a fixed 3.48%. The interest rate swap agreement matures at the time the related long-term debt matures. The Hospital is exposed to credit loss in the event of nonperformance by the other parties to the interest rate swap agreement. However, the Hospital does not anticipate nonperformance by the counterparties.

MARGARET MARY HEALTH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

The derivative is not designated as a hedging instrument, and is marked-to-market on the consolidated balance sheet at fair value. The related gains and losses are included in revenue over expenses, the performance indicator, for the reporting period. Cash flows from interest rate swap contracts are classified as an operating activity on the consolidated statements of cash flows.

The asset derivatives are reported in the consolidated balance sheets as other assets and liability derivatives are reported as derivative liabilities. As of December 31, 2023 and 2022, the fair values of derivatives recorded in the consolidated balance sheets are as follows:

| | <u>2023</u> | <u>2022</u> |
|----------------------|-------------|-------------|
| Derivative liability | \$ 196,569 | \$ 232,193 |

During 2023 and 2022, the amount of gain or loss recognized in the consolidated statements of operations and changes in net assets and reported as a component of nonoperating gain (loss) is as follows:

| | <u>2023</u> | <u>2022</u> |
|-------------------------------|-------------|-------------|
| Unrealized gain on derivative | \$ 35,624 | \$ 843,544 |

Additional information regarding fair value measurements of the interest rate swap agreements is disclosed in Fair Value Measurements note.

8. LONG-TERM DEBT

The following is the summary of long-term debt as of December 31:

| | <u>2023</u> | <u>2022</u> |
|---|----------------------|----------------------|
| Indiana Finance Authority Health Facility Variable Rate Demand Revenue Bonds Series 2004A-1; dated March 1, 2004, due 2029 | \$ 7,115,000 | \$ 8,160,000 |
| Indiana Finance Authority Health Facility Revenue Bonds Series 2010; dated December 1, 2010, due 2035 | 5,722,812 | 6,835,240 |
| | 12,837,812 | 14,995,240 |
| Unamortized debt issue costs | (117,549) | (134,852) |
| Current portion | (2,235,935) | (2,157,943) |
| | <u>\$ 10,484,328</u> | <u>\$ 12,702,445</u> |

MARGARET MARY HEALTH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

In 2004, the Hospital borrowed from the Indiana Finance Authority (the Authority) \$22,000,000 for additions and improvements of the Hospital facilities. The Authority, created under Indiana Code 5-1-16, provides funds to eligible health facilities for financing capital expenditures. In 2009, the Hospital, the Authority and Branch Banking and Trust Company, Inc. (BB&T) entered into a Bond Purchase Agreement whereby BB&T purchased from the Authority all of the Series 2004A Bonds in a private placement. The interest rate on the Series 2004A Bonds is 68% of one month Secured Overnight Financing Rate (SOFR) plus .95% with no floor. The rate as of December 31, 2023 and 2022 was 4.61% and 3.94%, respectively. BB&T agreed to hold the Series 2004A Bonds through the maturity date in 2029.

In 2010, the Hospital borrowed \$16,625,235 from the Authority, the Health Facility Revenue Bonds, Series 2010, for capital projects. The Series 2010 Bonds bear interest at rates as determined by daily, weekly, flexible, semiannual or long modes. The Hospital, the Authority and Key Government Finance, Inc. (Key) entered into a Bond Purchase Agreement whereby Key purchased from the Authority all of the Series 2010 Bonds in a private placement. The interest rate on the Series 2010 Bonds is under the long mode with a fixed interest rate of 3.36%. The long mode period runs through 2028. Additionally, Key agreed to hold the Series 2010 Bonds through 2028 compared to the Series 2010 Bond maturity date in 2035. At the end of the long mode period in 2028, the Series 2010 Bonds could be converted to another interest rate mode and remarketed to another bondholder or holders or renewed for another long mode period with Key. If the Series 2010 Bonds cannot be remarketed at the end of the long mode period in 2028, the Hospital would be subject to payment of the remaining principal balance at that time.

Both the Series 2004A and 2010 Bonds are covered under a Master Trust Indenture and are secured by an interest in the gross revenues of the Hospital.

Annual maturities of long-term debt for the years succeeding December 31, 2023 are as follows:

| Year Ending December 31, | |
|-----------------------------|----------------------|
| 2024 | \$ 2,235,935 |
| 2025 | 2,315,223 |
| 2026 | 2,395,852 |
| 2027 | 2,477,869 |
| 2028 | 2,122,933 |
| Thereafter | <u>1,290,000</u> |
| | <u>\$ 12,837,812</u> |

MARGARET MARY HEALTH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

9. LIQUIDITY AND AVAILABILITY OF RESOURCES

As of December 31, 2023, the Hospital had approximately \$24,369,000 of financial assets available within one year of the consolidated balance sheet date to meet cash needs for general expenditure consisting of cash of \$6,805,000, patient accounts receivable of \$16,912,000 and other receivables (included in other current assets) of \$652,000. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the consolidated balance sheet date. Patient accounts receivable and other receivables are subject to implied time restrictions, but are expected to be collected within one year. The Hospital's policy is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, the Hospital invests cash in excess of daily requirements in various investments, including mutual funds and common stocks.

As of December 31, 2023, the Hospital had approximately \$105,513,000 in long-term investments that were without donor restrictions, but rather internally designated by the board. While there is no intent to liquidate these investments, they are available to the Hospital with board approval.

As of December 31, 2022, the Hospital had approximately \$27,782,000 of financial assets available within one year of the consolidated balance sheet date to meet cash needs for general expenditure consisting of cash of \$6,284,000, patient accounts receivable of \$17,116,000 and other receivables (included in other current assets) of \$4,382,000.

10. RETIREMENT PLANS

The Hospital has a defined contribution pension plan, which covers all eligible employees. Hospital contributions are based on the earnings of qualified employees. Contribution percentages are at the discretion of the Hospital. The Hospital offers a 403(b) tax deferred annuity retirement plan for the benefit of its eligible employees. The 403(b) plan allows for discretionary Hospital matching contributions based on employee deferrals to the 403(b) plan. The maximum matching contribution is up to \$1,500 per participating employee. The Hospital has a 457(b) deferred compensation plan that provides for non-elective employer deferrals covering certain eligible participants. Total pension expense under all retirement plans was approximately \$1,332,000 and \$1,391,000 for 2023 and 2022, respectively.

MARGARET MARY HEALTH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

11. CONCENTRATIONS OF CREDIT RISK

The Hospital is located in Batesville, Indiana and grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. Accounts receivable and revenues from self-pay and third-party payors as of December 31, 2023 and 2022 and for the years then ended were:

| | Receivables | | Revenues | |
|--------------------------|-------------|-------------|-------------|-------------|
| | 2023 | 2022 | 2023 | 2022 |
| Medicare | 33% | 26% | 36% | 36% |
| Medicaid | 19% | 16% | 7% | 7% |
| Blue Cross | 8% | 14% | 21% | 22% |
| Other third-party payors | 24% | 29% | 33% | 33% |
| Self pay | 16% | 15% | 3% | 2% |
| | <u>100%</u> | <u>100%</u> | <u>100%</u> | <u>100%</u> |

12. COMMITMENTS AND CONTINGENCIES

Self-Funded Health Plan

The Hospital is committed to pay for employees' health care costs. A third-party administrator has been retained to process and present all benefit claims to the Hospital for payment. Under a stop loss agreement, the Hospital is responsible for the funding of all claims and related administrative costs up to \$300,000 per individual per policy year. There is no aggregate limit for the Plan under the stop loss agreement. Group health insurance expense for 2023 and 2022 totaled approximately \$9,202,000 and \$12,560,000, respectively. As of December 31, 2023 and 2022, the Hospital recognized a stop loss receivable of \$-0- and \$4,200,000, respectively, for claims that exceeded the stop loss threshold.

Litigation

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

13. RISK MANAGEMENT

Malpractice Coverage

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

MARGARET MARY HEALTH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

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

The Hospital is a member in a captive insurance company, Suburban Health Organization Segregated Portfolio Company, LLC, to fund the Hospital's required portion of the professional and physician insurance coverage pursuant to the Act as well as its general liability insurance and excess coverage. This provides protection from liability in an amount not to exceed \$500,000 per incident and aggregate liability protection not to exceed \$10,000,000 per year. In addition, the Hospital maintains a commercial umbrella/excess liability policy with a limit of \$1,000,000 each occurrence, \$1,000,000 completed operations aggregate limit, \$1,000,000 personal and advertising injury, \$100,000 fire damage, and a \$3,000,000 total policy aggregate.

Workers' Compensation

The Hospital has a \$250,000 letter of credit available with a local financial institution to cover unfunded workers' compensation claims. The letter of credit expires in February 2024. There was no outstanding balance on the letter of credit as of December 31, 2023 and 2022.

14. SUBSEQUENT EVENT

Subsequent to December 31, 2023, the Hospital committed to construct a replacement hospital in Batesville, Indiana. The estimated cost of the replacement hospital is approximately \$115,000,000 which will be funded with a Hospital contribution of \$35,000,000 and the issuance of long-term debt of \$80,000,000.

SUPPLEMENTARY INFORMATION

MARGARET MARY HEALTH

CONSOLIDATING BALANCE SHEET DECEMBER 31, 2023

| ASSETS | Hospital | Foundation | Eliminations | Total |
|---|-----------------------|---------------------|--------------------|-----------------------|
| Current assets | | | | |
| Cash | \$ 6,536,847 | \$ 268,213 | \$ -0- | \$ 6,805,060 |
| Patient accounts receivable | 16,911,555 | -0- | -0- | 16,911,555 |
| Inventories and other current assets | 4,164,967 | 94,272 | (49,648) | 4,209,591 |
| Current portion of assets whose use is limited | 2,235,935 | -0- | -0- | 2,235,935 |
| Total current assets | 29,849,304 | 362,485 | (49,648) | 30,162,141 |
| Assets whose use is limited | | | | |
| Board designated for capital improvements | 98,030,311 | -0- | -0- | 98,030,311 |
| Board designated for retirement plans | 2,613,244 | -0- | -0- | 2,613,244 |
| Held by Foundation | -0- | 4,869,100 | -0- | 4,869,100 |
| Donor restricted | 98,032 | 1,561,862 | -0- | 1,659,894 |
| Held by trustee for debt service | 121,960 | -0- | -0- | 121,960 |
| | 100,863,547 | 6,430,962 | -0- | 107,294,509 |
| Current portion | (2,235,935) | -0- | -0- | (2,235,935) |
| Assets whose use is limited - noncurrent | 98,627,612 | 6,430,962 | -0- | 105,058,574 |
| Other assets | | | | |
| Property and equipment, net | 49,848,532 | -0- | -0- | 49,848,532 |
| Right-of-use assets under operating leases, net | 230,490 | -0- | -0- | 230,490 |
| Total other assets | 50,079,022 | -0- | -0- | 50,079,022 |
| Total assets | <u>\$ 178,555,938</u> | <u>\$ 6,793,447</u> | <u>\$ (49,648)</u> | <u>\$ 185,299,737</u> |
| LIABILITIES AND NET ASSETS | | | | |
| Current liabilities | | | | |
| Accounts payable | \$ 1,364,470 | \$ -0- | \$ -0- | \$ 1,364,470 |
| Accrued wages and related liabilities | 7,536,764 | -0- | -0- | 7,536,764 |
| Estimated third-party settlements | 1,467,808 | -0- | -0- | 1,467,808 |
| Other current liabilities | 419,009 | 49,648 | (49,648) | 419,009 |
| Current portion of long-term debt | 2,235,935 | -0- | -0- | 2,235,935 |
| Current portion of operating leases | 49,166 | -0- | -0- | 49,166 |
| Total current liabilities | 13,073,152 | 49,648 | (49,648) | 13,073,152 |
| Long-term liabilities | | | | |
| Derivative liability | 196,569 | -0- | -0- | 196,569 |
| Long-term debt, less current portion | 10,484,328 | -0- | -0- | 10,484,328 |
| Operating leases, less current portion | 181,324 | -0- | -0- | 181,324 |
| Other long-term liabilities | 1,353,244 | -0- | -0- | 1,353,244 |
| Total long-term liabilities | 12,215,465 | -0- | -0- | 12,215,465 |
| Total liabilities | 25,288,617 | 49,648 | (49,648) | 25,288,617 |
| Net assets | | | | |
| Without donor restrictions | | | | |
| Undesignated | 52,525,734 | 5,181,937 | -0- | 57,707,671 |
| Board designated | 100,643,555 | -0- | -0- | 100,643,555 |
| Total without donor restrictions | 153,169,289 | 5,181,937 | -0- | 158,351,226 |
| With donor restrictions | | | | |
| | 98,032 | 1,561,862 | -0- | 1,659,894 |
| Total net assets | 153,267,321 | 6,743,799 | -0- | 160,011,120 |
| Total liabilities and net assets | <u>\$ 178,555,938</u> | <u>\$ 6,793,447</u> | <u>\$ (49,648)</u> | <u>\$ 185,299,737</u> |

See report of independent auditors on pages 1 through 3.

MARGARET MARY HEALTH

CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS YEAR ENDED DECEMBER 31, 2023

| | Hospital | Foundation | Eliminations | Total |
|--|----------------|--------------|--------------|----------------|
| Revenues | | | | |
| Patient service revenue | \$ 127,910,974 | \$ -0- | \$ -0- | \$ 127,910,974 |
| Other operating revenue | 1,860,453 | -0- | -0- | 1,860,453 |
| Total revenues | 129,771,427 | -0- | -0- | 129,771,427 |
| Expenses | | | | |
| Salaries and wages | 51,964,973 | -0- | -0- | 51,964,973 |
| Employee benefits | 14,731,771 | -0- | -0- | 14,731,771 |
| Physician fees | 8,430,714 | -0- | -0- | 8,430,714 |
| Medical and surgical supplies | 20,410,048 | -0- | -0- | 20,410,048 |
| Purchased services | 11,546,608 | -0- | -0- | 11,546,608 |
| Utilities | 1,382,653 | -0- | -0- | 1,382,653 |
| Insurance | 1,022,379 | -0- | -0- | 1,022,379 |
| Depreciation | 7,143,102 | -0- | -0- | 7,143,102 |
| Interest | 670,577 | -0- | -0- | 670,577 |
| Other | 9,663,773 | -0- | -0- | 9,663,773 |
| Total expenses | 126,966,598 | -0- | -0- | 126,966,598 |
| Operating income | 2,804,829 | -0- | -0- | 2,804,829 |
| Nonoperating revenues (expenses) | | | | |
| Contributions and other | 189,758 | 341,174 | (202,221) | 328,711 |
| Program expenses | -0- | (202,221) | 202,221 | -0- |
| In-kind revenue | -0- | 294,802 | (294,802) | -0- |
| In-kind expense | -0- | (294,802) | 294,802 | -0- |
| Investment return, net | 11,719,597 | 743,111 | -0- | 12,462,708 |
| Unrealized gain on derivative | 35,624 | -0- | -0- | 35,624 |
| Net assets released from restrictions | 20,736 | 18,188 | -0- | 38,924 |
| Total nonoperating revenues (expenses) | 11,965,715 | 900,252 | -0- | 12,865,967 |
| Expenses over revenues | 14,770,544 | 900,252 | -0- | 15,670,796 |
| Net assets with donor restrictions | | | | |
| Contributions | 4,566 | 152,350 | -0- | 156,916 |
| Net assets released from restrictions | (20,736) | (18,188) | -0- | (38,924) |
| Change in net assets with donor restrictions | (16,170) | 134,162 | -0- | 117,992 |
| Change in net assets | 14,754,374 | 1,034,414 | -0- | 15,788,788 |
| Net assets | | | | |
| Beginning of year | 138,512,947 | 5,709,385 | -0- | 144,222,332 |
| End of year | \$ 153,267,321 | \$ 6,743,799 | \$ -0- | \$ 160,011,120 |

See report of independent auditors on pages 1 through 3.

MARGARET MARY HEALTH

CONSOLIDATING BALANCE SHEET DECEMBER 31, 2022

| ASSETS | Hospital | Foundation | Eliminations | Total |
|---|-----------------------|---------------------|---------------------|-----------------------|
| Current assets | | | | |
| Cash | \$ 5,584,760 | \$ 699,621 | \$ -0- | \$ 6,284,381 |
| Patient accounts receivable | 17,116,362 | -0- | -0- | 17,116,362 |
| Inventories and other current assets | 7,877,206 | 28,997 | (175,384) | 7,730,819 |
| Current portion of assets whose use is limited | 2,157,943 | -0- | -0- | 2,157,943 |
| Total current assets | 32,736,271 | 728,618 | (175,384) | 33,289,505 |
| Assets whose use is limited | | | | |
| Board designated for capital improvements | 87,045,553 | -0- | -0- | 87,045,553 |
| Board designated for retirement plans | 2,431,317 | -0- | -0- | 2,431,317 |
| Held by Foundation | -0- | 3,728,451 | -0- | 3,728,451 |
| Donor restricted | 114,202 | 1,427,700 | -0- | 1,541,902 |
| Held by trustee for debt service | 118,627 | -0- | -0- | 118,627 |
| | 89,709,699 | 5,156,151 | -0- | 94,865,850 |
| Current portion | (2,157,943) | -0- | -0- | (2,157,943) |
| Assets whose use is limited - noncurrent | 87,551,756 | 5,156,151 | -0- | 92,707,907 |
| Other assets | | | | |
| Property and equipment, net | 50,321,989 | -0- | -0- | 50,321,989 |
| Right-of-use assets under financing leases, net | 154,304 | -0- | -0- | 154,304 |
| Right-of-use assets under operating leases, net | 279,656 | -0- | -0- | 279,656 |
| Total other assets | 50,755,949 | -0- | -0- | 50,755,949 |
| Total assets | <u>\$ 171,043,976</u> | <u>\$ 5,884,769</u> | <u>\$ (175,384)</u> | <u>\$ 176,753,361</u> |
| LIABILITIES AND NET ASSETS | | | | |
| Current liabilities | | | | |
| Accounts payable | \$ 2,178,324 | \$ -0- | \$ -0- | \$ 2,178,324 |
| Accrued wages and related liabilities | 9,384,783 | -0- | -0- | 9,384,783 |
| Estimated third-party settlements | 3,153,308 | -0- | -0- | 3,153,308 |
| Other current liabilities | 1,109,507 | 175,384 | (175,384) | 1,109,507 |
| Current portion of long-term debt | 2,157,943 | -0- | -0- | 2,157,943 |
| Current portion of financing leases | 154,906 | -0- | -0- | 154,906 |
| Current portion of operating leases | 49,166 | -0- | -0- | 49,166 |
| Total current liabilities | 18,187,937 | 175,384 | (175,384) | 18,187,937 |
| Long-term liabilities | | | | |
| Derivative liability | 232,193 | -0- | -0- | 232,193 |
| Long-term debt, less current portion | 12,702,445 | -0- | -0- | 12,702,445 |
| Operating leases, less current portion | 230,490 | -0- | -0- | 230,490 |
| Other long-term liabilities | 1,177,964 | -0- | -0- | 1,177,964 |
| Total long-term liabilities | 14,343,092 | -0- | -0- | 14,343,092 |
| Total liabilities | 32,531,029 | 175,384 | (175,384) | 32,531,029 |
| Net assets | | | | |
| Without donor restrictions | | | | |
| Undesignated | 48,921,875 | 4,281,685 | -0- | 53,203,560 |
| Board designated | 89,476,870 | -0- | -0- | 89,476,870 |
| Total without donor restrictions | 138,398,745 | 4,281,685 | -0- | 142,680,430 |
| With donor restrictions | | | | |
| | 114,202 | 1,427,700 | -0- | 1,541,902 |
| Total net assets | 138,512,947 | 5,709,385 | -0- | 144,222,332 |
| Total liabilities and net assets | <u>\$ 171,043,976</u> | <u>\$ 5,884,769</u> | <u>\$ (175,384)</u> | <u>\$ 176,753,361</u> |

See report of independent auditors on pages 1 through 3.

MARGARET MARY HEALTH

CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS YEAR ENDED DECEMBER 31, 2022

| | Hospital | Foundation | Eliminations | Total |
|--|----------------|--------------|--------------|----------------|
| Revenues | | | | |
| Patient service revenue | \$ 124,518,672 | \$ -0- | \$ -0- | \$ 124,518,672 |
| Other operating revenue | 6,145,731 | -0- | -0- | 6,145,731 |
| Total revenues | 130,664,403 | -0- | -0- | 130,664,403 |
| Expenses | | | | |
| Salaries and wages | 51,701,274 | -0- | -0- | 51,701,274 |
| Employee benefits | 18,084,181 | -0- | -0- | 18,084,181 |
| Physician fees | 7,753,846 | -0- | -0- | 7,753,846 |
| Medical and surgical supplies | 18,585,885 | -0- | -0- | 18,585,885 |
| Purchased services | 13,002,843 | -0- | -0- | 13,002,843 |
| Utilities | 1,612,970 | -0- | -0- | 1,612,970 |
| Insurance | 862,518 | -0- | -0- | 862,518 |
| Depreciation | 7,641,056 | -0- | -0- | 7,641,056 |
| Interest | 713,666 | -0- | -0- | 713,666 |
| Other | 9,021,605 | -0- | -0- | 9,021,605 |
| Total expenses | 128,979,844 | -0- | -0- | 128,979,844 |
| Operating income | 1,684,559 | -0- | -0- | 1,684,559 |
| Nonoperating revenues (expenses) | | | | |
| Contributions and other | 334,436 | 338,083 | (175,384) | 497,135 |
| Program expenses | -0- | (175,384) | 175,384 | -0- |
| In-kind revenue | -0- | 325,526 | (325,526) | -0- |
| In-kind expense | -0- | (325,526) | 325,526 | -0- |
| Investment return (loss), net | (12,912,113) | (731,954) | -0- | (13,644,067) |
| Unrealized gain on derivative | 843,544 | -0- | -0- | 843,544 |
| Net assets released from restrictions | 17,176 | 25,667 | -0- | 42,843 |
| Total nonoperating revenues (expenses) | (11,716,957) | (543,588) | -0- | (12,260,545) |
| Revenues over expenses | (10,032,398) | (543,588) | -0- | (10,575,986) |
| Net assets with donor restrictions | | | | |
| Contributions | 2,379 | 139,018 | -0- | 141,397 |
| Net assets released from restrictions | (17,176) | (25,667) | -0- | (42,843) |
| Change in net assets with donor restrictions | (14,797) | 113,351 | -0- | 98,554 |
| Change in net assets | (10,047,195) | (430,237) | -0- | (10,477,432) |
| Net assets | | | | |
| Beginning of year | 148,560,142 | 6,139,622 | -0- | 154,699,764 |
| End of year | \$ 138,512,947 | \$ 5,709,385 | \$ -0- | \$ 144,222,332 |

See report of independent auditors on pages 1 through 3.