



RUSH MEMORIAL
H o s p i t a l

FINANCIAL STATEMENTS

AND

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2023

CPAs / ADVISORS



RUSH MEMORIAL HOSPITAL

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REPORT OF INDEPENDENT AUDITORS

Board of Trustees
Rush Memorial Hospital
Rushville, Indiana

Report on the Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of Rush Memorial Hospital (the Hospital), a component unit of Rush County, and its discretely presented component unit, Rush Memorial Hospital Foundation, Inc., 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.

In our opinions, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Hospital as of December 31, 2023, and the respective changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Uniform Compliance Guidelines for Audits of Hospitals and State and Local Governments by Authorized Independent Public Accountants*, issued by the Indiana State Board of Accounts. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hospital and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Report on Summarized Comparative Information

We have previously audited the Hospital's 2022 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated July 24, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Board of Trustees
Rush Memorial Hospital
Rushville, Indiana

Change in Accounting Principle

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, no such opinion is expressed.

Board of Trustees
Rush Memorial Hospital
Rushville, Indiana

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for a reasonable period of time.

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

Report on 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 basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 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.

Blue & Co., LLC

Indianapolis, Indiana
August 12, 2024

REQUIRED SUPPLEMENTARY INFORMATION

RUSH MEMORIAL HOSPITAL

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

This section of Rush Memorial Hospital's (the Hospital) annual financial statements presents background information and management's discussion and analysis (MD&A) of the Hospital's financial performance during 2023. This MD&A includes a discussion and analysis of the activities and results of the Hospital's discrete component unit, Rush Memorial Hospital Foundation, Inc. Please read it in conjunction with the Hospital's financial statements that follow this MD&A.

FINANCIAL HIGHLIGHTS

- The Hospital's net position decreased approximately \$1,383,000 or 3.1% in 2023 compared to an increase of \$2,318,000 or 5.6% in 2022.
- The Hospital reported an operating loss of approximately \$1,526,000 for 2023, representing a decrease of \$1,238,000 in comparison to the year 2022 results.
- The Hospital's investment in capital assets decreased in 2023 by approximately \$256,000. Additions of \$2,944,000 in property and equipment were offset by loss on disposal of capital assets of \$591,000, and depreciation and amortization expense of \$2,608,000 with accumulated depreciation and amortization of \$35,023,000 as of December 31, 2023.
- The Hospital's cash and investments in current assets decreased approximately \$2,786,000 and patient accounts receivable increased \$652,000.
- The Hospital has agreements to lease the operations of multiple long-term care facilities. Long-term care services generated approximately \$24,062,000 and \$28,052,000 in patient service revenue during 2023 and 2022, respectively.
- Adoption of Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Agreements* (SBITA) added intangible right-to-use assets, net of accumulated amortization of approximately \$815,000 and SBITA liabilities of \$1,009,000 as of December 31, 2023. The 2022 and 2021 financial statements have been restated for the adoption of this standard.

USING THIS ANNUAL REPORT

The Hospital's financial statements consist of three statements – a statement of net position; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These financial statements and related notes provide information about the activities and the financial position of the Hospital. The statement of net position includes all the Hospital's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Hospital creditors (liabilities). All of the current year's revenue earned, expenses incurred and changes in net position are accounted for in the statement of revenues, expenses and changes in net position. Finally, the statement of cash flows' purpose is to provide information about the Hospital's cash flows from operating activities, financing activities including capital additions, and investing activities. This statement provides information on the sources and uses of cash and the change in cash balance during the year.

RUSH MEMORIAL HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

DECEMBER 31, 2023

(WITH COMPARATIVE TOTALS FOR 2022 AND 2021)

THE STATEMENTS OF NET POSITION AND REVENUES, EXPENSES AND CHANGES IN NET POSITION

One of the most important questions asked about the Hospital's finances is, "Is the Hospital, as a whole, better or worse off as a result of the year's activities?" The statement of net position and the statement of revenues, expenses and changes in net position report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These statements report the Hospital's net position and changes in it. Think of the Hospital's net position, the difference between assets and liabilities, as one way to measure the Hospital's financial health, or financial position. Over time, increases or decreases in the Hospital's net position are one indicator of whether its financial health is improving or deteriorating. Consider other nonfinancial factors, however, such as changes in the Hospital's patient base and measures of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the Hospital.

Table 1: Statements of Net Position

	2023	Restated 2022	2023-2022 Change	Restated 2021	2022-2021 Change
Assets					
Current assets	\$ 27,641,452	\$ 30,678,286	\$ (3,036,834)	\$ 37,255,278	\$ (6,576,992)
Assets whose use is limited	5,119,651	4,834,673	284,978	4,754,504	80,169
Capital assets, net	24,126,705	24,382,302	(255,597)	20,640,053	3,742,249
Other assets	648,283	836,723	(188,440)	1,014,053	(177,330)
Total assets	\$ 57,536,091	\$ 60,731,984	\$ (3,195,893)	\$ 63,663,888	\$ (2,931,904)
Liabilities					
Current liabilities	\$ 11,918,452	\$ 13,493,477	\$ (1,575,025)	\$ 17,409,279	\$ (3,915,802)
Long-term liabilities	2,343,624	2,402,257	(58,633)	3,417,937	(1,015,680)
Total liabilities	14,262,076	15,895,734	(1,633,658)	20,827,216	(4,931,482)
Deferred inflows	717,572	896,846	(179,274)	1,215,315	(318,469)
Total liabilities and deferred inflows	14,979,648	16,792,580	(1,812,932)	22,042,531	(5,249,951)
Net position					
Net investment in capital assets	23,243,103	21,283,880	1,959,223	16,539,690	4,744,190
Restricted	4,908,415	4,644,157	264,258	4,546,235	97,922
Unrestricted	14,404,925	18,011,367	(3,606,442)	20,535,432	(2,524,065)
Total net position	42,556,443	43,939,404	(1,382,961)	41,621,357	2,318,047
Total liabilities, deferred inflows, and net position	\$ 57,536,091	\$ 60,731,984	\$ (3,195,893)	\$ 63,663,888	\$ (2,931,904)

RUSH MEMORIAL HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

DECEMBER 31, 2023

(WITH COMPARATIVE TOTALS FOR 2022 AND 2021)

Current assets decreased approximately \$3,037,000 and \$6,577,000 in 2023 and 2022, respectively, mainly due to decreases in cash and cash equivalents. Assets whose use is limited increased \$285,000 in 2023 and \$80,000 in 2022. Net capital assets decreased \$256,000 in 2023 and increased in \$3,742,000 in 2022 based on the Hospital's capital additions and associated depreciation and amortization expense.

Current liabilities decreased by approximately \$1,575,000 in 2023 mainly related to decreases in the accounts payable combined with an increase in the lines of credit compared to the 2022 decrease of \$3,916,000. Long-term liabilities decreased \$59,000 in 2023 due to current year principal payments combined with paying off notes payable before adding a line of credit compared to a decrease in long-term liabilities of \$1,016,000 in 2022.

Net position decreased approximately \$1,383,000 in 2023 and increased \$2,318,000 in 2022. The decrease in 2023 related primarily to a loss on disposal of capital assets and community support activities. The 2022 increase related to primarily COVID-19 grant funding.

Table 2: Statements of Revenues, Expenses and Change in Net Position

	2023	Restated 2022	2023-2022 Change	Restated 2021	2022-2021 Change
Revenues					
Net patient service revenue	\$ 75,368,048	\$ 75,154,186	\$ 213,862	\$ 81,593,391	\$ (6,439,205)
Other operating revenue	1,318,471	1,904,061	(585,590)	1,189,425	714,636
Total revenues	<u>76,686,519</u>	<u>77,058,247</u>	<u>(371,728)</u>	<u>82,782,816</u>	<u>(5,724,569)</u>
Expenses					
Salary and benefits	28,021,608	26,554,679	1,466,929	25,017,282	1,537,397
Purchased services and medical fees	18,531,352	22,653,984	(4,122,632)	24,119,370	(1,465,386)
Medical and other supplies	13,068,876	11,327,717	1,741,159	11,380,484	(52,767)
Depreciation and amortization	2,608,160	2,465,523	142,637	2,374,336	91,187
Other expenses	15,982,688	14,344,932	1,637,756	17,075,907	(2,730,975)
Total operating expenses	<u>78,212,684</u>	<u>77,346,835</u>	<u>865,849</u>	<u>79,967,379</u>	<u>(2,620,544)</u>
Operating income (loss)	(1,526,165)	(288,588)	(1,237,577)	2,815,437	(3,104,025)
Non-operating revenues (expenses), net	143,204	2,606,635	(2,463,431)	6,510,498	(3,903,863)
Change in net position	<u>\$ (1,382,961)</u>	<u>\$ 2,318,047</u>	<u>\$ (3,701,008)</u>	<u>\$ 9,325,935</u>	<u>\$ (7,007,888)</u>

The Hospital had negative performance in 2023 with a return on equity of 3.1% compared to a positive return on equity of 5.6% in 2022 and 28.9% in 2021.

Total revenues decreased approximately \$372,000 in 2023 compared to a decrease of \$5,725,000 in 2022. Long-term care revenue was \$24,062,000 in 2023 and \$28,052,000 in 2022.

Expenses increased by approximately \$866,000 and decreased by \$2,621,000 in 2023 and 2022, respectively. The 2023 and 2022 changes are primarily in purchased services and medical fees and other expenses.

RUSH MEMORIAL HOSPITAL

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

Nonoperating revenues (expenses), net decreased by approximately \$2,463,000 and \$3,904,000 in 2023 and 2022, respectively. The changes in 2023 and 2022 are primarily due to loss on disposal of capital assets in 2023, decreases in COVID-19 grants from the Provider Relief Fund and Paycheck Protection Program forgiveness from 2022 compared to 2021. Interest expense was \$104,000 in 2023 and \$149,000 in 2022.

STATEMENT OF CASH FLOWS

The final required statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as "Where did cash come from?" "What was cash used for?" and "What was the change in cash balance during the reporting period?"

	2023	Restated 2022	2023-2022 Change	Restated 2021	2022-2021 Change
Cash flow from activities					
Operating	\$ (1,094,128)	\$ 1,386,847	\$ (2,480,975)	\$ 5,252,816	\$ (3,865,969)
Noncapital financing	442,695	800,784	(358,089)	264,734	536,050
Capital and related financing	(2,244,974)	(7,134,480)	4,889,506	(3,030,094)	(4,104,386)
Investing	(221,692)	(130,766)	(90,926)	237,823	(368,589)
Change in cash equivalents	<u>\$ (3,118,099)</u>	<u>\$ (5,077,615)</u>	<u>\$ 1,959,516</u>	<u>\$ 2,725,279</u>	<u>\$ (7,802,894)</u>

Total cash and cash equivalents decreased approximately \$3,118,000 in 2023. Operating activities decreased cash and cash equivalents by \$1,094,000 during 2023 mainly from an increase in expenses. Noncapital financing provided \$443,000 of cash and cash equivalents primarily due to contributions. Capital and related financing decreased cash and cash equivalents by \$2,245,000 during 2023 mainly from the purchase of capital assets, payments on long-term debt and SBITA liabilities, and interest payments on long-term debt, SBITA liabilities and lines of credit. Investing activities decreased cash and cash equivalents by \$222,000 primarily due to purchases of investments.

Total cash and cash equivalents decreased approximately \$5,078,000 in 2022. Operating activities increased cash and cash equivalents by \$1,387,000 during 2022 mainly from an increase in revenues. Noncapital financing provided \$801,000 of cash and cash equivalents due to contributions. Capital and related financing decreased cash and cash equivalents by \$7,134,000 during 2022 mainly from the purchase of capital assets, payments on long-term debt and SBITA liabilities, and interest payments on long-term debt, SBITA liabilities. Investing activities decreased cash and cash equivalents by \$131,000.

SOURCES OF REVENUE

During 2023, the Hospital derived substantially all of its revenue from patient service and other related activities. A significant portion of the patient service revenue is from patients that are insured by government health programs, principally Medicare and Medicaid, which are highly regulated and subject to frequent and substantial changes. Revenues from the Medicare and Medicaid programs represented 68% and 69% of the Hospital's gross revenues in 2023 and 2022, respectively.

RUSH MEMORIAL HOSPITAL

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

Following is a table of major sources of gross patient revenues, including long-term care, for the past three years:

Payor Mix	2023	2022	2021
Medicare	43%	44%	43%
Medicaid	25%	25%	25%
Blue Cross/Anthem	11%	10%	12%
Commercial insurance	16%	15%	13%
Self-pay	5%	6%	7%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

The Hospital entered into agreements with third-party payers, including government programs and managed care health plans, under which payments for healthcare services provided to patients are based upon predetermined rates or discounts from gross charges. Provisions have been made in the financial statements for contractual adjustments, which represent the difference between the standard charges for services and the actual or estimated payment.

CAPITAL ASSETS

The Hospital's capital assets decreased approximately \$256,000 and increased \$3,742,000 net of asset disposals and depreciation and amortization in 2023 and 2022, respectively. The change in capital assets is outlined in the following table:

	2023	Restated 2022	2023-2022 Change	Restated 2021	2022-2021 Change
Non-depreciable capital assets	\$ 2,493,392	\$ 3,757,698	\$ (1,264,306)	\$ 989,795	\$ 2,767,903
Depreciable capital assets	53,160,878	49,595,880	3,564,998	46,653,995	2,941,885
Intangible right-to-use assets	3,495,880	3,495,880	-0-	3,322,198	173,682
Total capital assets	59,150,150	56,849,458	2,300,692	50,965,988	5,883,470
Accumulated depreciation	(32,342,429)	(30,115,234)	(2,227,195)	(28,269,336)	(1,845,898)
Accumulated amortization	(2,681,016)	(2,351,922)	(329,094)	(2,056,599)	(295,323)
Capital assets, net	<u>\$ 24,126,705</u>	<u>\$ 24,382,302</u>	<u>\$ (255,597)</u>	<u>\$ 20,640,053</u>	<u>\$ 3,742,249</u>

The Hospital continues to increase equipment resources to meet the needs of the community. The Hospital strives to replace equipment as it becomes obsolete as well as upgrade equipment as needed. More detailed information about the Hospital's capital assets is presented in the notes to the financial statements.

RUSH MEMORIAL HOSPITAL

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

DEBT

Total long-term debt (including current portion) decreased from approximately \$2,089,000 in 2022 to \$270,000 in 2023 based primarily on paying off existing notes payable and principal payments made during the year. More detailed information about the Hospital's long-term debt is presented in the notes to the financial statements.

ECONOMIC OUTLOOK

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

CONTACTING THE HOSPITAL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Hospital Controller's Office, PO Box 125, Rushville, IN, 46173.

RUSH MEMORIAL HOSPITAL

STATEMENTS OF NET POSITION

DECEMBER 31, 2023

(WITH RESTATED COMPARATIVE TOTALS FOR 2022)

	2023		Restated 2022	
	Total		Total Reporting	Total Reporting
	Hospital	Foundation	Entity	Entity
Assets				
Current assets				
Cash and cash equivalents	\$ 15,231,515	\$ 252,274	\$ 15,483,789	\$ 18,268,725
Investments	10,322	-0-	10,322	11,061
Patient accounts receivable, net of allowance for uncollectible accounts of approximately \$2,539,000 for 2023 and \$2,218,000 for 2022	9,380,114	-0-	9,380,114	8,727,720
Current portion of lease receivables	188,440	-0-	188,440	177,530
Other current assets	2,578,787	-0-	2,578,787	3,493,250
Total current assets	27,389,178	252,274	27,641,452	30,678,286
Assets whose use is limited				
Internally designated	211,236	-0-	211,236	190,516
Donor restricted	4,096,732	811,683	4,908,415	4,644,157
Total assets whose use is limited	4,307,968	811,683	5,119,651	4,834,673
Capital assets, net	24,126,705	-0-	24,126,705	24,382,302
Other assets				
Lease receivables, net of current portion	644,013	-0-	644,013	832,453
Other	4,270	-0-	4,270	4,270
Total assets	<u>\$ 56,472,134</u>	<u>\$ 1,063,957</u>	<u>\$ 57,536,091</u>	<u>\$ 60,731,984</u>
Liabilities, Deferred Inflows, Net Position				
Current liabilities				
Accounts payable and accrued expenses	\$ 6,691,418	\$ -0-	\$ 6,691,418	\$ 9,276,533
Accrued wages and related liabilities	2,577,316	-0-	2,577,316	2,450,285
Estimated third-party settlements	700,000	-0-	700,000	700,000
Line of credit	984,181	-0-	984,181	-0-
Current portion of long-term debt	269,973	-0-	269,973	696,165
Current portion of SBITA liabilities	395,564	-0-	395,564	370,494
Other current liabilities	300,000	-0-	300,000	-0-
Total current liabilities	11,918,452	-0-	11,918,452	13,493,477
Long-term liabilities				
Line of credit	1,029,995	-0-	1,029,995	-0-
Long-term debt, net of current portion	-0-	-0-	-0-	1,393,064
Long-term SBITA liabilities, net of current portion	613,629	-0-	613,629	1,009,193
Other long-term liabilities	700,000	-0-	700,000	-0-
Total long-term liabilities	2,343,624	-0-	2,343,624	2,402,257
Total liabilities	14,262,076	-0-	14,262,076	15,895,734
Deferred inflows	717,572	-0-	717,572	896,846
Total liabilities and deferred inflows	14,979,648	-0-	14,979,648	16,792,580
Net position				
Net investment in capital assets	23,243,103	-0-	23,243,103	21,283,880
Restricted				
Expendable for various purposes upon donors' specific restriction	2,979,930	811,683	3,791,613	3,587,917
Nonexpendable donor restricted	1,116,802	-0-	1,116,802	1,056,240
Total restricted net position	4,096,732	811,683	4,908,415	4,644,157
Unrestricted	14,152,651	252,274	14,404,925	18,011,367
Total net position	41,492,486	1,063,957	42,556,443	43,939,404
Total liabilities, deferred inflows, net position	<u>\$ 56,472,134</u>	<u>\$ 1,063,957</u>	<u>\$ 57,536,091</u>	<u>\$ 60,731,984</u>

See accompanying notes to financial statements.

RUSH MEMORIAL HOSPITAL

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION YEAR ENDED DECEMBER 31, 2023 (WITH RESTATED COMPARATIVE TOTALS FOR 2022)

	2023		Restated 2022	
	Total Hospital	Foundation	Total Reporting Entity	Total Reporting Entity
Revenues				
Net patient service revenue	\$ 75,368,048	\$ -0-	\$ 75,368,048	\$ 75,154,186
Other operating revenue	1,318,471	-0-	1,318,471	1,904,061
Total revenues	76,686,519	-0-	76,686,519	77,058,247
Expenses				
Salaries and wages	22,274,509	-0-	22,274,509	20,681,749
Employee benefits	5,747,099	-0-	5,747,099	5,872,930
Medical professional fees	3,381,411	-0-	3,381,411	3,173,799
Purchased services	15,149,941	-0-	15,149,941	19,480,185
Medical supplies and drugs	12,218,784	-0-	12,218,784	10,641,447
Other supplies	850,092	-0-	850,092	686,270
Food	78,748	-0-	78,748	89,988
Facility and equipment leases	3,817,135	-0-	3,817,135	4,278,672
HAF and HIP Programs	2,790,464	-0-	2,790,464	2,165,708
Depreciation and amortization	2,608,160	-0-	2,608,160	2,465,523
Insurance	1,163,223	-0-	1,163,223	1,463,615
Repairs and maintenance	1,229,229	-0-	1,229,229	1,131,982
Utilities	1,099,537	-0-	1,099,537	1,164,992
Community support	1,500,000	-0-	1,500,000	-0-
Other expenses	4,304,352	-0-	4,304,352	4,049,975
Total expenses	78,212,684	-0-	78,212,684	77,346,835
Operating loss	(1,526,165)	-0-	(1,526,165)	(288,588)
Nonoperating revenues (expenses)				
Investment return (loss)	674,049	75,352	749,401	(425,149)
Interest expense	(103,964)	-0-	(103,964)	(149,670)
Contributions	125	442,570	442,695	1,091,936
COVID-19 grant funds	-0-	-0-	-0-	2,431,393
Other nonoperating revenues (expenses)	(591,237)	(353,691)	(944,928)	(341,875)
Nonoperating revenues (expenses), net	(21,027)	164,231	143,204	2,606,635
Change in net position	(1,547,192)	164,231	(1,382,961)	2,318,047
Net position				
Beginning of year, restated	43,039,678	899,726	43,939,404	41,621,357
End of year	\$ 41,492,486	\$ 1,063,957	\$ 42,556,443	\$ 43,939,404

See accompanying notes to financial statements.

RUSH MEMORIAL HOSPITAL

STATEMENTS OF CASH FLOWS YEAR ENDED DECEMBER 31, 2023 (WITH RESTATED COMPARATIVE TOTALS FOR 2022)

	2023			Restated 2022
	Total Hospital	Foundation	Total Reporting Entity	Total Reporting Entity
Operating activities				
Cash received from patient services	\$ 71,925,190	\$ -0-	\$ 71,925,190	\$ 73,182,171
Cash paid for salaries, wages and benefits	(27,894,577)	-0-	(27,894,577)	(26,539,949)
Cash paid to vendors and suppliers	(46,441,468)	-0-	(46,441,468)	(47,046,299)
Other receipts, net	1,316,727	-0-	1,316,727	1,790,924
Net cash flows from operating activities	(1,094,128)	-0-	(1,094,128)	1,386,847
Noncapital financing activities				
Contributions	125	442,570	442,695	1,091,936
COVID-19 grants refunded	-0-	-0-	-0-	(291,152)
Net cash flows from non-capital financing activities	125	442,570	442,695	800,784
Capital and related financing activities				
Payments on long-term debt	(1,819,256)	-0-	(1,819,256)	(744,109)
Proceeds from borrowings on lines of credit	2,014,176	-0-	2,014,176	-0-
Payments on SBITA liabilities	(370,494)	-0-	(370,494)	(355,699)
Interest payments on debt, lines of credit and SBITA liabilities	(103,964)	-0-	(103,964)	(149,670)
Purchase of capital assets	(1,965,436)	-0-	(1,965,436)	(5,885,002)
Net cash flows from capital and related financing activities	(2,244,974)	-0-	(2,244,974)	(7,134,480)
Investing activities				
Investment return (loss)	674,049	75,352	749,401	(425,149)
Other nonoperating revenues (expenses)	-0-	(353,691)	(353,691)	(336,852)
Proceeds from sale of investments	1,008,451	-0-	1,008,451	1,781,430
Purchases of investments	(1,625,853)	-0-	(1,625,853)	(1,150,195)
Net cash flows from investing activities	56,647	(278,339)	(221,692)	(130,766)
Net change in cash and cash equivalents	(3,282,330)	164,231	(3,118,099)	(5,077,615)
Cash and cash equivalents				
Beginning of year	19,129,597	899,726	20,029,323	25,106,938
End of year	<u>\$ 15,847,267</u>	<u>\$ 1,063,957</u>	<u>\$ 16,911,224</u>	<u>\$ 20,029,323</u>
Reconciliation of cash and cash equivalents to the statements of net position				
In current assets				
Cash and cash equivalents	\$ 15,231,515	\$ 252,274	\$ 15,483,789	\$ 18,268,725
In assets whose use is limited	615,752	811,683	1,427,435	1,760,598
Total cash and cash equivalents	<u>\$ 15,847,267</u>	<u>\$ 1,063,957</u>	<u>\$ 16,911,224</u>	<u>\$ 20,029,323</u>

See accompanying notes to financial statements.

RUSH MEMORIAL HOSPITAL

STATEMENTS OF CASH FLOWS YEAR ENDED DECEMBER 31, 2023 (WITH RESTATED COMPARATIVE TOTALS FOR 2022)

	2023		Restated 2022	
	Total Hospital	Foundation	Total Reporting Entity	Total Reporting Entity
Reconciliation of operating loss				
to net cash from operating activities				
Operating loss	\$ (1,526,165)	\$ -0-	\$ (1,526,165)	\$ (288,588)
Adjustments to reconcile operating loss to net cash flows from operating activities				
Depreciation and amortization	2,608,160	-0-	2,608,160	2,465,523
Provision for bad debts	(3,015,456)	-0-	(3,015,456)	(2,023,150)
Changes in operating assets and liabilities				
Patient accounts receivable	2,363,062	-0-	2,363,062	3,016,843
Other current assets	914,463	-0-	914,463	(233,522)
Lease receivables	177,530	-0-	177,530	205,332
Other assets	-0-	-0-	-0-	(200)
Accounts payable and accrued expenses	(3,563,479)	-0-	(3,563,479)	(651,652)
Accrued wages and related liabilities	127,031	-0-	127,031	14,730
Estimated third-party settlements	-0-	-0-	-0-	(800,000)
Other current and long-term liabilities	1,000,000	-0-	1,000,000	-0-
Deferred inflows	(179,274)	-0-	(179,274)	(318,469)
Net cash from operating activities	<u>\$ (1,094,128)</u>	<u>\$ -0-</u>	<u>\$ (1,094,128)</u>	<u>\$ 1,386,847</u>
Noncash capital and noncapital financing activities				
Capital asset purchases through accounts payable	\$ 978,364	\$ -0-	\$ 978,364	\$ 154,111
Capital asset purchases through SBITA liabilities	\$ -0-	\$ -0-	\$ -0-	\$ 173,682

See accompanying notes to financial statements.

RUSH MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

1. SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity

Rush Memorial Hospital (the Hospital) is a county facility operating under the Indiana County Hospital Law, Indiana Code (IC) 16-22. The Hospital provides inpatient, outpatient, emergency care as well as long-term care. The Board of County Commissioners of Rush County appoints the Governing Board of the Hospital and a financial benefit/burden relationship exists between Rush County (the County) and the Hospital. For these reasons, the Hospital is considered a component unit of the County.

The financial statements of 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 the County that is attributable to the transactions of the Hospital and its discrete component unit. They do not purport to, and do not, present fairly the financial position of the County as of December 31, 2023, the changes in its financial position or its cash flows for the year then ended.

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

The financial statements include certain prior year summarized comparative information in total but not by component unit. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Hospital's financial statements as of and for the year ended December 31, 2022, from which the summarized information was derived.

Discrete Component Unit

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

Long-Term Care Operations

Pursuant to the provision of long-term care, the Hospital owns the operations of numerous long-term care facilities by way of an arrangement with the managers of the facilities. These facilities provide inpatient and therapy services. Generally, gross revenues from the operation of the facilities are the property of the Hospital and the Hospital is responsible for the associated operating expenses and working capital requirements.

RUSH MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 2022)

While the management and related lease agreements are in effect, the performance of all activities of the managers shall be on behalf of the Hospital and the Hospital retains the authority and legal responsibility for the operation of the facilities.

The Hospital entered into lease agreements with the long-term care facilities, collectively referred to as the lessors, to lease the facilities managed by the managers. Concurrently, the Hospital entered into agreements with the managers to manage the above leased facilities. As part of the agreements, the Hospital pays the managers a management fee to continue managing the facilities on behalf of the Hospital in accordance with the terms of the agreements. These management fees consist of base management fees, subordinated management fees, and quarterly incentive payments. The agreements expire at various times through 2025. The terms of these agreements may be renewed at the end of each term for an additional period of two years. All parties involved can terminate the agreement without cause with 90 days written notice. Total rent expense for 2023 and 2022 was approximately \$3,817,000 and \$4,279,000, respectively. Annual rent expense under these leases will approximate \$3,800,000 for 2024 and 2025.

Use of Estimates

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

Measurement Focus and Basis of Accounting

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

Cash and Cash Equivalents

Cash and cash equivalents include all cash held in checking, savings and money market deposit accounts available for operating purposes with original maturity dates of 90 days or less. The Hospital maintains its cash in accounts, which at times may exceed federally insured limits. The Hospital has not experienced any losses in such accounts. The Hospital believes that it is not exposed to any significant credit risk on cash and cash equivalents.

Investments

Investments consist of mutual funds, which are reported at fair value.

RUSH MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 2022)

Patient Accounts Receivable and Net Patient Service Revenue

Patient revenues and the related accounts receivable are recorded at the time services to patients are performed. 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 was granted 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. The difference between computed reimbursement and interim reimbursement is reflected as a receivable from or payable to the third-party program. These programs have audited the year-end cost report filed with the Medicare program through December 31, 2020 with differences reflected in net patient service revenue in the year the cost report is settled. Amounts for unresolved cost reports for 2021 through 2023 are reflected in estimated third-party settlements on the statements of net position. The amounts due to the differences between original estimates and subsequent revisions for the final settlement of cost reports were not significant for 2023 and 2022. 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.

The Hospital has entered into agreements with certain commercial carriers. Reimbursement for services under these agreements includes discounts from established charges and other payment methodologies. 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.

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

Charity Care

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. The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of services and supplies furnished under its charity care policy. The charity care charges provided during 2023 and 2022 were approximately \$60,000 and \$108,000, respectively.

Of the Hospital's total expenses reported, including interest expense, approximately \$23,000 and \$43,000 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 including interest expense to gross patient service revenue. The Hospital did not change its charity care policy during 2023 and 2022.

RUSH MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 2022)

Other Current Assets

Other current assets include inventories which are valued at the lower of cost or net realizable value with cost being determined on the first-in, first-out method, prepaid expenses and other receivables related to long-term care operations. These assets are classified as current as they are expected to be utilized during the next fiscal year. The following is a summary of other current assets as of December 31:

	<u>2023</u>	<u>2022</u>
Inventories	\$ 1,353,076	\$ 1,291,008
Prepaid expenses	633,753	628,287
Other receivables	591,958	1,573,955
	<u>\$ 2,578,787</u>	<u>\$ 3,493,250</u>

Assets Whose Use is Limited

Assets whose use is limited are stated at fair value in the financial statements. These assets include investments designated by the Hospital Board for internal purposes such as funded depreciation and investments restricted by donors. These investments consist primarily of cash, common stocks, mutual funds, U.S. government obligations and beneficial interest in perpetual trusts. Investment return is reported as nonoperating revenue in the statement of revenues, expenses and changes in net position.

Capital Assets and Depreciation

Capital assets such as property and equipment are stated at cost and include expenditures for new additions and other costs added to existing facilities which exceed the Hospital's capitalization threshold and which substantially increase the useful lives of existing facilities. Maintenance, repairs and minor renewals are expensed as incurred.

The Hospital provides for depreciation of property and equipment using annual rates, which are sufficient to depreciate the cost of depreciable assets over their estimated useful lives using the straight-line method. The range of estimated useful lives in computing depreciation is as follows:

<u>Description</u>	<u>Range of Useful Lives</u>
Land improvements	5-25 years
Buildings and improvements	5-40 years
Equipment	3-10 years

RUSH MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 2022)

Other Liabilities

During 2023, the Hospital entered into an agreement with the Rush County Community Foundation committing to provide community support for the creation of a community center in Rushville. As part of the agreement, the Hospital also received naming rights recognition for its community support. The total community support commitment was \$1,500,000 with \$500,000 paid in 2023 and the remaining balance to be paid from 2024 through 2027. These amounts are included in other current liabilities and other long-term liabilities in the statements of net position.

Net Position

Net position of the Hospital is classified in four components. (1) 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. (2) Restricted expendable net position includes assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital. (3) Restricted nonexpendable donor restricted includes net position restricted by the donor through beneficial interests in perpetual trusts. (4) Unrestricted includes remaining net position that does not meet the definition of invested in capital assets net of related debt or restricted. The Hospital first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Statement of Revenues, Expenses and Changes in Net Position

The Hospital's statement of revenues, expenses and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing healthcare services which is the Hospital's principal activity. Contributions and investment return are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide healthcare services, excluding interest costs.

Federal or State Income Taxes

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

The Foundation is organized as a not-for-profit organization under Section 501(c)(3) of the United States IRC. As such, the Foundation is generally exempt from income taxes. However, the Foundation is required to file Form 990. The Foundation has filed its 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).

RUSH MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 2022)

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

Advertising, Community Relations and Community Support

The Hospital records advertising, community relations and community support expense in the period incurred. Total expense for advertising and community relations was approximately \$572,000 and \$97,000 for 2023 and 2022, respectively. Total expense for community support for 2023 was \$1,500,000. There was no community support expense incurred for 2022.

Compensated Absences

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

Reclassifications

Certain summarized amounts from the 2022 total column have been reclassified to conform to the current year presentation. The reclassifications had no effect on previously reported net position or change in net position.

Litigation

The Hospital is involved in litigation 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 from operations or cash flows.

Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. No settlements exceeded insurance coverage for the past three years.

RUSH MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 2022)

Subsequent Events

The Hospital evaluated events or transactions occurring subsequent to 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 was August 12, 2024.

2. CHANGE IN ACCOUNTING PRINCIPLE

In 2023, the Hospital adopted Governmental Accounting Standards Board (GASB) Statement No. 96 – *Subscription-Based Information Technology Arrangements (SBITAs)* (GASB 96), which requires SBITAs that have a maximum possible term greater than 12 months to be recorded in the statement of net position. Previously, SBITAs classified as expense were not recorded in the statement of net position. GASB 96 was applied retrospectively and net position for previously reported periods was restated as follows:

	December 31,	
	2022	2021
Net position, previously reported	\$ 44,175,133	\$ 41,917,462
GASB 96 implementation effect		
Assets		
SBITA assets	1,143,958	1,265,599
Net change in assets	1,143,958	1,265,599
Liabilities and deferred inflows		
SBITA liabilities	1,379,687	1,561,704
Net change in liabilities and deferred inflows	1,379,687	1,561,704
Change in net position	(235,729)	(296,105)
Net position, restated	\$ 43,939,404	\$ 41,621,357

3. INVESTMENTS

Investments consist of mutual funds, which are reported at fair value. As of December 31, 2023 and 2022, mutual fund balances were approximately \$10,000 and \$11,000, respectively.

4. BENEFICIAL INTERESTS IN PERPETUAL TRUSTS

The Hospital is the beneficiary under two perpetual trusts held by third parties, the corpuses of which are not controlled by the management of the Hospital. Although the Hospital has no control over the administration or investment of the funds held in these trusts, the estimated fair value of the Hospital's interest in these trusts is recognized as a contribution in the period in which the Hospital receives notice that the trust agreements convey an unconditional right to receive benefits. The Hospital's interest in these perpetual trusts is reported at fair value, which is estimated as the Hospital's portion of the fair market value of the

RUSH MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 2022)

assets in the trusts. Under the terms of the perpetual trusts, the Hospital receives its portion of interest and dividends earned on the corpuses, which is included as unrestricted investment return in the statement of revenues, expenses and changes in net assets. Changes in the value of the trust assets are recorded as investment return (loss) in the statements revenues, expenses and changes in net position. The investment return (loss) and changes in the values increased net position by approximately \$61,000 and decreased net position by \$279,000 in 2023 and 2022, respectively.

5. ASSETS WHOSE USE IS LIMITED

Assets whose use is limited include:

Internally designated – Amounts transferred by the Hospital’s Board of Trustees through funding depreciation expense. Such amounts are to be used for debt service, equipment and building, remodeling, repairing, replacing or making additions to the Hospital’s buildings as authorized by IC 16-22-3-13.

Donor restricted – Amounts restricted by donor as to use of assets (primarily capital assets) and includes beneficial interests in perpetual trusts.

Assets whose use is limited consist of the following as of December 31, 2023 and 2022:

	2023	2022
Assets whose use is limited		
Internally designated		
Cash	\$ 15	\$ 15
Common stocks	7,248	8,121
Mutual funds	203,973	182,380
Total internally designated	211,236	190,516
Donor restricted		
Cash	1,427,420	1,760,583
U.S. government obligations	99,816	183,118
Mutual funds	2,264,377	1,644,216
Beneficial interests in perpetual trusts	1,116,802	1,056,240
Total donor restricted	4,908,415	4,644,157
Total assets limited as to use	<u>\$ 5,119,651</u>	<u>\$ 4,834,673</u>

RUSH MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 2022)

6. DEPOSITS AND INVESTMENTS

Deposits with financial institutions in the State of Indiana at year end were entirely insured by the Federal Deposit 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 at fair market value. Net realized gains and losses on security transactions are determined on the specific identification cost basis. 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. These amounts are included in investments and assets whose use is limited.

	December 31, 2023				
	Carrying Amount	Investment Maturities (in years)			More than 10
		Less than 1	1-5	6-10	
Common stocks	\$ 7,248	\$ 7,248	\$ -0-	\$ -0-	\$ -0-
Mutual funds	2,478,672	2,478,672	-0-	-0-	-0-
U.S. government obligations	99,816	99,816	-0-	-0-	-0-
	\$ 2,585,736	\$ 2,585,736	\$ -0-	\$ -0-	\$ -0-

	December 31, 2022				
	Carrying Amount	Investment Maturities (in years)			More than 10
		Less than 1	1-5	6-10	
Common stocks	\$ 8,121	\$ 8,121	\$ -0-	\$ -0-	\$ -0-
Mutual funds	1,837,657	1,837,657	-0-	-0-	-0-
U.S. government obligations	183,118	183,118	-0-	-0-	-0-
	\$ 2,028,896	\$ 2,028,896	\$ -0-	\$ -0-	\$ -0-

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

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

RUSH MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 2022)

Deposits and investments consist of the following as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Carrying amount		
Deposits	\$ 16,911,224	\$ 20,029,323
Investments	<u>2,585,736</u>	<u>2,028,896</u>
	<u>\$ 19,496,960</u>	<u>\$ 22,058,219</u>
Statement of net position captions		
Cash	\$ 15,483,789	\$ 18,268,725
Investments	10,322	11,061
Assets whose use is limited		
Internally designated	211,236	190,516
Donor restricted	<u>3,791,613</u>	<u>3,587,917</u>
	<u>\$ 19,496,960</u>	<u>\$ 22,058,219</u>

7. 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.

RUSH MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 2022)

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:

- *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 and to transact at that price. The mutual funds held by the Hospital are deemed to be actively traded.
- *Common stocks*: Valued at the closing price reported on the active market on which the individual securities are traded.
- *U.S. government obligations*: Valued using pricing models maximizing the use of observable inputs for similar securities.
- *Beneficial interests in perpetual trusts*: Valued at fair value as reported by the trustees, which represents the Hospital's pro rata interest in the net assets of the trusts, substantially all of which are valued on a mark-to-market basis.

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

	December 31, 2023			
	Total	Level 1	Level 2	Level 3
Assets				
Investments				
Mutual funds - value funds	\$ 10,322	\$ 10,322	\$ -0-	\$ -0-
Assets whose use is limited				
Common stocks	\$ 7,248	\$ 7,248	\$ -0-	\$ -0-
Mutual funds				
Blend fund	880,234	880,234	-0-	-0-
Bond funds	1,387,653	1,387,653	-0-	-0-
Real estate	107,810	107,810	-0-	-0-
Other	92,653	92,653	-0-	-0-
Total mutual funds	2,468,350	2,468,350	-0-	-0-
U.S. government obligations	99,816	99,816	-0-	-0-
Beneficial interests in perpetual trusts	1,116,802	-0-	-0-	1,116,802
	3,692,216	\$ 2,575,414	\$ -0-	\$ 1,116,802
Cash	1,427,435			
Total assets whose use is limited	\$ 5,119,651			

RUSH MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 2022)

	December 31, 2022			
	Total	Level 1	Level 2	Level 3
Assets				
Investments				
Mutual funds - value funds	\$ 11,061	\$ 11,061	\$ -0-	\$ -0-
Assets whose use is limited				
Common stocks	\$ 8,121	\$ 8,121	\$ -0-	\$ -0-
Mutual funds				
Blend fund	783,931	783,931	-0-	-0-
Bond funds	867,213	867,213	-0-	-0-
Real estate	87,700	87,700	-0-	-0-
Other	87,752	87,752	-0-	-0-
Total mutual funds	1,826,596	1,826,596	-0-	-0-
U.S. government obligations	183,118	183,118	-0-	-0-
Beneficial interests in perpetual trusts	1,056,240	-0-	-0-	1,056,240
	3,074,075	\$ 2,017,835	\$ -0-	\$ 1,056,240
Cash	1,760,598			
Total assets whose use is limited	\$ 4,834,673			

The following is a reconciliation of activity for 2023 and 2022 for level 3 assets:

	2023	2022
Balance, beginning of year	\$ 1,056,240	\$ 1,337,190
Realized gain	54,027	6,086
Unrealized gain (loss)	52,876	(247,976)
Purchases	-0-	(63,386)
Sales	8,048	42,309
Settlements	(54,389)	(17,983)
Balance, end of year	\$ 1,116,802	\$ 1,056,240

Realized gains and losses included in earnings are reported in the statements of revenues, expenses and changes in net position as a component of investment return (loss). Differences between market value and cost of investments are classified as unrealized gains or losses. Unrealized gains or losses are included in earnings for the period attributable to the change in unrealized gains relating to assets held as of December 31, 2023 and 2022 and are reported in the statements of revenues, expenses and changes in net position as a component of investment return (loss).

RUSH MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 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.

8. CAPITAL ASSETS

Progressions for capital assets for 2023 and 2022 follow:

	December 31,				December 31,
	2022	Additions	Retirements	Transfers	2023
Non-depreciable capital assets					
Land	\$ 591,263	\$ -0-	\$ -0-	\$ 400,000	\$ 991,263
Construction in progress	3,166,435	1,692,087	-0-	(3,356,393)	1,502,129
Total non-depreciable capital assets	3,757,698	1,692,087	-0-	(2,956,393)	2,493,392
Depreciable capital assets					
Land improvements	785,100	-0-	-0-	-0-	785,100
Buildings and improvements	23,605,043	112,228	(643,108)	2,391,910	25,466,073
Equipment	25,205,737	1,139,485	-0-	564,483	26,909,705
Total depreciable capital assets	49,595,880	1,251,713	(643,108)	2,956,393	53,160,878
Accumulated depreciation					
Land improvements	(435,376)	(56,246)	-0-	-0-	(491,622)
Buildings and improvements	(11,578,409)	(672,546)	51,871	-0-	(12,199,084)
Equipment	(18,101,449)	(1,550,274)	-0-	-0-	(19,651,723)
Total accumulated depreciation	(30,115,234)	(2,279,066)	51,871	-0-	(32,342,429)
Total depreciable capital assets, net	19,480,646	(1,027,353)	(591,237)	2,956,393	20,818,449
Intangible right-to-use assets					
SBITA assets	3,495,880	-0-	-0-	-0-	3,495,880
Accumulated amortization	(2,351,922)	(329,094)	-0-	-0-	(2,681,016)
Total intangible right-to-use assets, net	1,143,958	(329,094)	-0-	-0-	814,864
Capital assets, net	<u>\$ 24,382,302</u>	<u>\$ 335,640</u>	<u>\$ (591,237)</u>	<u>\$ -0-</u>	<u>\$ 24,126,705</u>

RUSH MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 2022)

	December 31, 2021	Additions	Retirements	Transfers	December 31, 2022
Non-depreciable capital assets					
Land	\$ 188,708	\$ 402,555	\$ -0-	\$ -0-	\$ 591,263
Construction in progress	801,087	4,031,172	-0-	(1,665,824)	3,166,435
Total non-depreciable capital assets	989,795	4,433,727	-0-	(1,665,824)	3,757,698
Depreciable capital assets					
Land improvements	549,431	16,000	-0-	219,669	785,100
Buildings and improvements	22,897,077	329,546	-0-	378,420	23,605,043
Equipment	23,207,487	1,259,840	(329,325)	1,067,735	25,205,737
Total depreciable capital assets	46,653,995	1,605,386	(329,325)	1,665,824	49,595,880
Accumulated depreciation					
Land improvements	(401,530)	(33,846)	-0-	-0-	(435,376)
Buildings and improvements	(10,971,247)	(607,162)	-0-	-0-	(11,578,409)
Equipment	(16,896,559)	(1,529,192)	324,302	-0-	(18,101,449)
Total accumulated depreciation	(28,269,336)	(2,170,200)	324,302	-0-	(30,115,234)
Total depreciable capital assets, net	18,384,659	(564,814)	(5,023)	1,665,824	19,480,646
Intangible right-to-use assets					
SBITA assets	3,322,198	173,682	-0-	-0-	3,495,880
Accumulated amortization	(2,056,599)	(295,323)	-0-	-0-	(2,351,922)
Total intangible right-to-use assets, net	1,265,599	(121,641)	-0-	-0-	1,143,958
Capital assets, net	\$ 20,640,053	\$ 3,747,272	\$ (5,023)	\$ -0-	\$ 24,382,302

As of December 31, 2023, remain commitments related to capital assets were approximately \$2,200,000.

9. LEASE RECEIVABLES

Under the GASB guidance for accounting and reporting leases where the Hospital is the lessor, the Hospital recognizes lease receivables and corresponding deferred inflows in the financial statements. As the lessor, the Hospital has agreements with tenants that expire at various times from 2024 through 2034. The agreements require monthly payments ranging from \$4,000 to \$13,000 discounted at rates ranging from 2% to 3%. The Hospital recorded lease receivables of approximately \$832,000 and \$1,010,000 and deferred inflows of \$718,000 and \$897,000 as of December 31, 2023 and 2022, respectively. The total inflows of resources for lease revenue and interest income related to the lessor agreements were \$203,000 and \$207,000 for 2023 and 2022, respectively.

RUSH MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

The following is the maturity schedule for lease receivables.

Years Ending December 31,		
2024	\$	188,440
2025		197,525
2026		83,123
2027		44,841
2028		46,204
2029-2033		267,513
2034		4,807
	\$	<u>832,453</u>

10. LINES OF CREDIT AND LONG-TERM DEBT

The Hospital has a line of credit available with a local financial institution with a maximum amount of \$3,000,000. The line of credit is at a variable rate of interest at the prime rate (8.5% as of December 31, 2023) with a floor of 3.25%. The outstanding balance on the line of credit as of December 31, 2023 and 2022 was approximately \$984,000 and \$-0-, respectively. The line of credit expires in October 2025 and is collateralized by deposit accounts of approximately \$3,000,000 as of December 31, 2023. The line of credit was used to pay off the notes payable 2005A during 2023. The Hospital expects to refinance the line of credit with a new credit agreement prior to its expiration.

In 2023, the Hospital entered into a line of credit with a local financial institution with a maximum amount of \$3,300,000 for construction and renovation of the Hospital's facilities. The line of credit is at a fixed interest rate of 4.74% with an outstanding balance of approximately \$1,030,000 as of December 31, 2023. The line of credit is secured by real property with an estimated book value of \$3,000,000 as of December 31, 2023. The line of credit matures April 2025. At that time the Hospital expects to refinance the line of credit with a new credit agreement.

RUSH MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 2022)

The following is a summary of the Hospital's debt under direct borrowings as of December 31, 2023 and 2022:

	2023	2022
Note payable to financial institution dated January 13, 2017, monthly principal and interest payments of \$38,882 with a fixed rate of 2.40%, with maturity at July 2024, collateralized by equipment with a net book value of \$395,000 and \$815,000 as of December 31, 2023 and 2022, respectively.	\$ 269,973	\$ 724,411
Note payable series 2005A to financial institution dated July 7, 2005, monthly principal and interest payments of \$14,600 with a fixed rate of 4.523%, set to mature in June 2030, collateralized by property and equipment with a net book value of \$782,000 as of December 31, 2022. Paid in full during 2023.	-0-	1,098,296
Note payable with financial institution dated February 8, 2015, with monthly principal and interest payments of \$11,436 at a fixed rate of 4.89%, with maturity in February 2025, collateralized by building with a net book value of \$1,647,000 as of December 31, 2022. Paid in full during 2023.	-0-	266,522
	269,973	2,089,229
Current portion	(269,973)	(696,165)
	\$ -0-	\$ 1,393,064

Progressions for long-term debt under direct borrowings for 2023 and 2022 include the following:

	December 31, 2022	Borrowings	Payments	December 31, 2023	Current Portion
Notes payable	\$ 2,089,229	\$ -0-	\$ (1,819,256)	\$ 269,973	\$ 269,973
	December 31, 2021	Borrowings	Payments	December 31, 2022	Current Portion
Notes payable	\$ 2,833,338	\$ -0-	\$ (744,109)	\$ 2,089,229	\$ 696,165

Aggregate maturities of long-term debt are as follows:

Year Ending December 31,	Principal	Interest	Total
2024	\$ 269,973	\$ 6,495	\$ 276,468

RUSH MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

11. SBITA LIABILITIES

In 2023, the Hospital adopted the guidance in GASB 96 for accounting and reporting SBITAs that had previously been reported as operating expenses and are now recognized as intangible right-to-use assets and corresponding liabilities in the financial statements.

At implementation of GASB 96 and the commencement of SBITAs beginning after January 1, 2022, the Hospital initially measured the 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 intangible right-to-use asset was initially measured as the initial amount of the SBITA liability, adjusted SBITA payments made at or before the SBITA commencement date, plus certain initial direct costs. Subsequently, the intangible right-to-use 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 software subscription provider as the discount rate. When the interest rate charged by the 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 agreement. SBITA payments included in the measurement of the SBITA liability are composed of fixed payments and renewal periods that the Hospital is reasonably certain to exercise. 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 records package among other key subscription-based services. The SBITA agreements require either monthly or annual payments ranging from up to \$32,000 per month through 2026 to \$61,000 annually through 2024. The discount rate is based on the implicit rate in the SBITA agreement if stated. If not stated, the Hospital's incremental borrowing rate was used. The discount rates ranged from 3.50% to 5.50% for 2023 and 2022.

The progression for SBITA liabilities for 2023 and 2022 is as follows:

	December 31, 2022	Additions	Reductions	December 31, 2023	Current Portion
Right-to-use SBITA liabilities	\$ 1,379,687	\$ -0-	\$ (370,494)	\$ 1,009,193	\$ 395,564
	December 31, 2021	Additions	Reductions	December 31, 2022	Current Portion
Right-to-use SBITA liabilities	\$ 1,561,704	\$ 173,682	\$ (355,699)	\$ 1,379,687	\$ 370,494

There were no remeasurements for SBITA liabilities during 2023 and 2022.

RUSH MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 2022)

Scheduled principal and interest payments on SBITA liabilities for the years succeeding December 31, 2023 are as follows:

Years Ending December 31,	Principal	Interest	Total
2024	\$ 395,564	\$ 31,140	\$ 426,704
2025	360,884	15,768	376,652
2026	252,745	3,327	256,072
	<u>\$ 1,009,193</u>	<u>\$ 50,235</u>	<u>\$ 1,059,428</u>

12. NET PATIENT SERVICE REVENUE

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

Medicare

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 was granted 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 the Hospital Assessment Fee and Healthy Indiana Plan Programs

The Hospital is reimbursed for Medicaid inpatient services under a prospectively determined rate-per-discharge and for Medicaid outpatient services on a predetermined fee schedule. 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 State of Indiana's 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 (DSH) payments for Indiana hospitals as reflected in the HAF Program expense reported in the statement 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

RUSH MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 2022)

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 the HIP program mirror the Medicaid payments under the HAF program but the funding includes physician, state administration, and certain non-hospital expenditures. During 2023 and 2022, the Hospital recognized HAF and HIP Program expenses of approximately \$2,790,000 and \$2,166,000, respectively, which resulted in increased Medicaid reimbursement. The HAF and HIP assessments are included in the statement of revenues, expenses and changes in net position as operating expenses. The Medicaid rate increases under the HAF Program and the HIP payments are included in patient service revenue.

As a governmental entity, the Hospital is also eligible for the Indiana Medicaid Supplemental programs including Medicaid DSH and Municipal Upper Payment Limit programs. The Hospital recognized reimbursement from these programs within net patient revenue of \$-0- and approximately \$657,000 in 2023 and 2022, respectively. These programs are administered by the State of Indiana, but rely on Federal funding.

Other Payors

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

Patient service revenue for 2023 and 2022 consists of the following:

	<u>2023</u>	<u>2022</u>
Patient service revenue		
Inpatient	\$ 6,142,918	\$ 8,406,993
Outpatient	139,265,009	115,707,530
Long-term care	24,062,332	28,051,602
Patient service revenue	<u>169,470,259</u>	<u>152,166,125</u>
Deductions from revenue		
Contractual allowances	(91,026,362)	(74,880,804)
Charity care	(60,393)	(107,985)
Provision for bad debts	(3,015,456)	(2,023,150)
Total deductions from revenue	<u>(94,102,211)</u>	<u>(77,011,939)</u>
Net patient service revenue	<u>\$ 75,368,048</u>	<u>\$ 75,154,186</u>

RUSH MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 2022)

13. PENSION PLAN

Plan Description

The Hospital has a defined contribution pension plan, Rush Memorial Hospital Employees' Pension Plan (the Plan), as authorized by Indiana Code 16-22-3-11. The Plan provides retirement, disability and death benefits to its members and beneficiaries. The Plan was established by written agreement by the Hospital's Board of Trustees. American United Life Insurance Company is the custodian and the third-party administrator of the Plan. For more information on the Plan, participants should contact the Hospital Controller's Office, PO Box 125, Rushville, IN, 46173.

Funding Policy

The contribution requirements of plan members are established by the written agreement by the Hospital's Board of Trustees. The Hospital is required to contribute at the Board approved rate. The Hospital makes a matching contribution equal to 100% of an eligible employee's salary reduction contributions up to 5% of their eligible compensation. Forfeitures for non-vested contributions can be used to offset Hospital contributions. Pension expense was approximately \$595,000 and \$502,000 for 2023 and 2022, respectively.

14. CONCENTRATION OF CREDIT RISK

The Hospital is located in Rushville, Indiana. The Hospital grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The mix of gross receivables and gross revenue from patients and third-party payors as of and for the years ended December 31, 2023 and 2022 was as follows:

	<u>Receivables</u>		<u>Revenues</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Medicare	41%	36%	43%	44%
Medicaid	16%	20%	25%	25%
Blue Cross/Anthem	10%	9%	11%	10%
Commercial	18%	15%	16%	15%
Self-pay	15%	20%	5%	6%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

15. RESTRICTED NONEXPENDABLE NET POSITION

Restricted nonexpendable net position includes perpetual trusts held by third parties, the corpuses of which are not controlled by the management of the Hospital. Restricted nonexpendable net position was approximately \$1,117,000 and \$1,056,000 as of December 31, 2023 and 2022, respectively.

RUSH MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 2022)

16. SELF INSURANCE

The Hospital is self-insured for employee health claims. A third-party administrator processes the claims for the Hospital. The Hospital maintains an estimated liability for the amount of claims incurred but not reported. The Hospital also maintains reinsurance including a stop loss for individual employees over \$80,000 a year with no aggregate limit. Substantially all employees are covered for major medical benefits. The total health claims expense was approximately \$3,468,000 and \$3,743,000 for 2023 and 2022, respectively. Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

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

	2023	2022
Unpaid claims, beginning of year	\$ 560,459	\$ 350,506
Incurred claims and changes in estimates	3,467,898	3,742,975
Claim payments	(3,567,929)	(3,533,022)
Unpaid claims, end of year	<u>\$ 460,428</u>	<u>\$ 560,459</u>

17. RISK MANAGEMENT

Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters.

Medical Malpractice

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 and \$15,000,000 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.

RUSH MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 (WITH COMPARATIVE TOTALS FOR 2022)

Accounting principles generally accepted in the United States of America require a healthcare 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 \$15,000,000 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.

18. COVID-19 AND RELATED FUNDING

During the COVID-19 pandemic, grants under the American Rescue Plan (ARP) and the Coronavirus Aid, Relief, and Economic Security (CARES) Act were distributed to health care providers. Revenues from ARP and CARES grants were recognized to the extent of expenses incurred specific to responding to the COVID-19 pandemic. Eligible expenses could not be reimbursed from another source and could not be obligated to be reimbursed from another source. ARP and CARES grants that were not fully expended on eligible expenses could then be applied to lost revenues as defined by the guidance issued by the grantor.

ARP and CARES funds were subject to recoupment by the grantor in the event that the conditions for recognition were not satisfied. During 2022, the Hospital recognized \$2,431,000 of ARP and CARES grants as COVID-19 grant funds recorded in nonoperating revenues within the statement of revenues, expenses and changes in net position. Amounts received in advance of satisfying the conditions of the grants were reported as unearned grant revenue on the statements of net position. No unearned grant revenue was recorded related to ARP and CARES grants as of December 31, 2022. During 2022, the Hospital returned unused grant funds to the Department of Health and Human Services. There was no ARP and CARES grant activity during 2023.

19. UPCOMING ACCOUNTING STANDARD

GASB Statement No. 101, *Compensated Absences*, will be effective for years beginning after December 15, 2023. The objective of this GASB statement is to better meet the informational needs of financial statement users by updating the recognition and measurement guidance for compensated absences under a unified model and by amending certain previously required disclosures. The Hospital is currently evaluating the impact that this GASB statement will have on its future financial statements.



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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
Rush Memorial Hospital
Rushville, 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 Rush Memorial Hospital (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 August 12, 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 a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

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

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

Board of Trustees
Rush Memorial Hospital
Rushville, Indiana

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*.

Purpose of this Report

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

Blue & Co., LLC

Indianapolis, Indiana
August 12, 2024